

JOINT BUDGET COMMITTEE



STAFF FIGURE SETTING FY 2019-20

DEPARTMENT OF REVENUE

JBC WORKING DOCUMENT - SUBJECT TO CHANGE
STAFF RECOMMENDATION DOES NOT REPRESENT COMMITTEE DECISION

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HOW TO USE THIS DOCUMENT

The Department Overview contains a table summarizing the staff recommended incremental changes followed by brief explanations of each incremental change. A similar overview table is provided for each division, but the description of incremental changes is not repeated, since it is available under the

Department Overview. More details about the incremental changes are provided in the sections following the Department Overview and the division summary tables.

Decision items, both department-requested items and staff-initiated items, are discussed either in the Decision Items Affecting Multiple Divisions or at the beginning of the most relevant division. Within a section, decision items are listed in the requested priority order, if applicable.

DEPARTMENT OVERVIEW

The Department of Revenue administers the state's tax laws and collects taxes, administers motor vehicle registration and titling and driver's licensing, regulates and enforces state laws for selected industries, and operates the State Lottery. The Department is divided into six divisions or business groups, four of which provide direct services to the citizens of the State, and two that provide support for the four direct-service providers.

THE EXECUTIVE DIRECTOR'S OFFICE:

- Provides central budgeting and fiscal note coordination, accounting and internal auditing, purchasing and contract administration, human resources, project management, and facilities safety and security;
- Includes a Citizen's Advocate who assists citizens and taxpayers with problems, grievances or inquiries, a Communications Director who is the primary contact for all media queries and requests for information, and a Legislative Liaison who directs all legislative matters for the Department;
- Includes a Hearings Division for Department administrative hearings processes;
- Supports the Office of Research and Analysis that develops analytical data and reports, including the Department's annual report and monthly and quarterly sales tax reports, and estimates State of Colorado excess revenues under Article X, Section 20 of the State Constitution (TABOR); and
- Is funded through direct and indirect costs charged to divisions.

THE INFORMATION TECHNOLOGY DIVISION is responsible for the maintenance and support of the Department's information technology systems that are not maintained and supported by the Governor's Office of Information Technology.

THE TAXATION BUSINESS GROUP:

- Is responsible for the administration, collection, and enforcement of individual and corporate income taxes, sales and use taxes, gasoline and special fuel taxes, severance taxes, and all other taxes collected by the state;
- Collects local sales taxes on behalf of counties, many cities, and special districts;
- Provides assistance and information to taxpayers about compliance with Colorado's tax laws;
- Attempts to resolve taxpayer disputes before they reach the court system; and
- Administers several pass-through fund distributions to local governments.

THE DIVISION OF MOTOR VEHICLES:

- Licenses drivers, maintains records of licensed drivers, and applies administrative sanctions against drivers who violate traffic laws, including for drunk driving and for excessive points;
- Oversees the vehicle emissions testing stations (including mobile testing stations);
- Registers and titles motor vehicles;
- Administers the motor vehicle insurance identification database to prevent the registration of vehicles that are not insured; and
- Assists first-time drunk-driving offenders in obtaining ignition interlock devices.

THE ENFORCEMENT BUSINESS GROUP:

- Regulates and enforces laws related to the limited stakes gaming industry;
- Enforces laws regarding liquor and tobacco retailers, including laws against selling those products to minors, and licenses retailers and special events where alcohol is served;
- Regulates horse racing (dog racing is currently inactive) and pari-mutuel betting (including off-track betting);
- Regulates retailers and sales agents in the motor vehicle sales industry; and
- Regulates the medical and recreational marijuana industries.

THE STATE LOTTERY DIVISION:

- Operates the State Lottery, which sells scratch ticket games and the multi-state lottery games, PowerBall and Mega Millions.
- Distributes net lottery proceeds to the Conservation Trust Fund, Colorado Parks and Wildlife, Great Outdoors Colorado or GOCO, and the public schools capital construction fund.

SUMMARY OF STAFF RECOMMENDATIONS

DEPARTMENT OF REVENUE						
	TOTAL FUNDS	GENERAL FUND	CASH FUNDS	REAPPROPRIATED FUNDS	FEDERAL FUNDS	FTE
FY 2018-19 APPROPRIATION						
HB 18-1322 (Long Bill)	\$369,581,396	\$113,169,403	\$249,268,695	\$6,318,910	\$824,388	1,469.8
SB 19-123 (Supplemental)	910,286	0	910,286	0	0	0.0
Other legislation	426,206	102,447	260,759	63,000	0	2.2
TOTAL	\$370,917,888	\$113,271,850	\$250,439,740	\$6,381,910	\$824,388	1,472.0
FY 2019-20 RECOMMENDED APPROPRIATION						
FY 2018-19 Appropriation	\$370,917,888	\$113,271,850	\$250,439,740	\$6,381,910	\$824,388	1,472.0
R1 GenTax Support Enhancements	1,413,723	1,413,723	0	0	0	7.0
R2 Sales and Use Tax Collection	1,031,408	1,031,408	0	0	0	14.6
R3 Lottery Back Office Restructure	2,198,993	0	2,198,993	0	0	(2.0)
R4 Drivers License Documents	1,312,872	0	1,312,872	0	0	0.0
R5 Division of Motor Vehicles Leased Space	3,172,536	0	3,172,536	0	0	8.0
R6 Lottery Walmart Expansion	5,719,000	0	5,719,000	0	0	0.0
R7 Marijuana Enforcement Division Operations	2,138,418	0	2,138,418	0	0	8.0
Non-prioritized requests	737,359	274,857	462,502	0	0	(13.0)
Annualize prior year budget actions	3,662,659	0	3,662,659	0	0	0.0
PERA Direct Distribution common policy allocation	2,218,686	849,711	1,346,314	3,959	18,702	0.0
Centrally appropriated line items	913,504	34,337	659,151	26,777	193,239	0.0
Indirect cost adjustments	164,346	384,485	(20,077)	(200,062)	0	0.0
Technical adjustments	(329,872)	(1,306,641)	976,769	0	0	1.0
Annualize prior year legislation	(186,155)	400,881	(524,273)	(62,763)	0	4.4
TOTAL	\$395,085,365	\$116,354,611	\$271,544,604	\$6,149,821	\$1,036,329	1,500.0
INCREASE/(DECREASE)	\$24,167,477	\$3,082,761	\$21,104,864	(\$232,089)	\$211,941	28.0
Percentage Change	6.5%	2.7%	8.4%	(3.6%)	25.7%	1.9%
FY 2019-20 EXECUTIVE REQUEST						
Request Above/(Below) Recommendation	(\$298,070)	(\$19,657)	(\$274,006)	(\$69)	(\$4,338)	(1.0)

DESCRIPTION OF INCREMENTAL CHANGES

R1 GEN TAX SUPPORT ENHANCEMENTS: The recommendation includes an increase of \$1.4 million General Fund and 13.0 FTE, including 7.0 FTE for the Department and 6.0 FTE for OIT. The recommendation annualizes to \$2.9 million General Fund and 27.0 FTE (14.0 DOR, 13.0 OIT) in FY 2020-21. These Department and OIT staff resources are intended to enhance the Department's management of its tax administration IT system known as GenTax.

R2 SALES AND USE TAX COLLECTION: The recommendation includes an increase of \$1.0 million General Fund and 14.6 FTE for FY 2019-20. The recommendation annualizes to \$788,000 and 10.6 FTE for FY 2020-21 and ongoing. These staff resources are intended to enable the Department to better support the administration and collection of sales taxes from out-of-state retailers as result of the Supreme Court's, *South Dakota v. Wayfair* decision of June 21, 2018.

R3 LOTTERY BACK OFFICE RESTRUCTURE: The recommendation includes an increase of \$2.2 million cash funds from the Lottery Fund and a decrease of 2.0 FTE in FY 2019-20 and ongoing. This funding allows the Lottery to purchase a "back office system" from the Lottery's current gaming system vendor. Currently the back office system is an internal, legacy IT system serviced by OIT. The Department and OIT have determined that the system has reached its end of life and requires replacement. The Joint Technology Committee (JTC) recommends approval.

R4 DRIVERS LICENSE DOCUMENTS: The recommendation includes an increase of \$1.3 million cash funds spending authority from the Licensing Services Cash Fund for FY 2019-20 and annualizes to an increase of \$1.7 million cash funds in FY 2020-21. This item is entirely related to volume projections for driver's license documents. The Department pays a per-card cost to a vendor to provide the document materials as well as all verification processing related to the document. This cost is driven generally by population growth and specifically by actual customer demand for documents.

R5 DMV LEASED SPACE: The recommendation includes an increase of \$3.2 million cash funds spending authority from the Licensing Services Cash Fund and 8.0 FTE for FY 2019-20. The request annualizes to \$954,000 cash funds and 8.0 FTE in FY 2020-21 and ongoing. This item addresses the first-year move and build-out costs for expiring leases for driver's license offices (DLOs) in Littleton, Parker, Boulder, and Longmont.

R6 LOTTERY WALMART EXPANSION: The recommendation includes an increase of \$5.7 million cash funds spending authority from the Lottery Fund for FY 2019-20; annualizing to \$2.3 million cash funds in FY 2020-21 and ongoing. This item provides for the lease of 200 additional Gemini vending machines to be located in Walmart Super Centers. The Department projects this expansion should increase Lottery sales by \$29 to \$40 million, providing approximately \$6 to \$9 million in additional proceeds for Lottery beneficiaries.

R7 MARIJUANA ENFORCEMENT DIVISION OPERATIONS: The recommendation includes an increase of \$2.1 million cash funds from the Marijuana Cash Fund (not the Marijuana Tax Cash Fund), the Department's marijuana regulation program cash fund, and 8.0 FTE for FY 2019-20. Of the \$2.1 million, \$914,416 is requested to be transferred to the Marijuana Tax Cash Fund (MTCF) to fund 5.0 FTE in the Colorado Bureau of Investigation (CBI) to combat black market activity. The request annualizes to \$1.8 million and 8.0 FTE (including \$890,901 transferred to the MTCF to fund 5.0 FTE

in the CBI) in FY 2020-21 and \$949,000 and 8.0 FTE in FY 2021-22 and ongoing, with no continuation of funding for CBI resources from the Marijuana Cash Fund beyond the second year. The Department states that this request is the result of a request from local law enforcement across the state for CBI to address illegal and unregulated residential cultivation of marijuana.

NON-PRIORITIZED REQUESTS: The recommendation includes adjustments related to budget requests made by other departments that affect the Department of Revenue in FY 2019-20, which are summarized in the following table.

NON-PRIORITIZED REQUESTS				
	TOTAL FUNDS	GENERAL FUND	CASH FUNDS	FTE
NP5 OIT Securing IT operations	\$567,896	\$220,324	\$347,572	0.0
NP4 OIT Essential database support	79,130	30,700	48,430	0.0
NP6 OIT Application refresh and consolidation	45,461	17,639	27,822	0.0
NP1 DPA-IDS increased input costs	28,903	0	28,903	0.0
NP7 OIT Optimize self-service capabilities	15,969	6,194	9,775	0.0
NP2 Lottery OIT staffing	0	0	0	(13.0)
TOTAL	\$737,359	274,857	\$462,502	(13.0)

ANNUALIZE PRIOR YEAR BUDGET ACTIONS: The recommendation includes a net increase of \$3,662,659 total funds for prior year budget actions, summarized in the following table.

ANNUALIZE PRIOR YEAR BUDGET ACTIONS					
	TOTAL FUNDS	GENERAL FUND	CASH FUNDS	REAPPROPRIATED FUNDS	FTE
Annualize FY18-19 R1 DRIVES maintenance and support (FAST Enterprises contract)	\$3,802,240	\$0	\$3,802,240	\$0	0.0
Annualize FY18-19 BA2 DMV Staffing	(128,971)	0	(128,971)	0	0.0
Annualize FY18-19 BA1 DRIVES production support	(10,610)	0	(10,610)	0	0.0
TOTAL	\$3,662,659	0	\$3,662,659	\$0	0.0

PERA DIRECT DISTRIBUTION COMMON POLICY ALLOCATION: The recommendation includes an increase of \$2.2 million total funds including \$850,000 General Fund for the PERA Direct Distribution allocation submitted for all agencies by the Governor's Office of State Planning and Budgeting.

PERA DIRECT DISTRIBUTION COMMON POLICY ALLOCATION						
	TOTAL FUNDS	GENERAL FUND	CASH FUNDS	REAPPROPRIATED FUNDS	FEDERAL FUNDS	FTE
PERA Direct Distribution	\$2,218,686	\$849,711	\$1,346,314	\$3,959	\$18,702	0.0
TOTAL	\$2,218,686	849,711	\$1,346,314	\$3,959	\$18,702	0.0

CENTRALLY APPROPRIATED LINE ITEMS: The recommendation includes an increase of \$913,504 total funds including an increase of \$34,337 General Fund related to employee benefits and other centrally appropriated items. This total includes the following changes:

CENTRALLY APPROPRIATED LINE ITEMS						
	TOTAL FUNDS	GENERAL FUND	CASH FUNDS	REAPPROPRIATED FUNDS	FEDERAL FUNDS	FTE
Salary survey adjustment	\$2,798,869	\$1,067,127	\$1,703,284	\$4,972	\$23,486	0.0
Legal services adjustment	1,065,055	659,611	405,444	0	0	0.0
Health Life Dental Adjustment	369,626	35,591	221,366	16,225	96,444	0.0

CENTRALLY APPROPRIATED LINE ITEMS						
	TOTAL FUNDS	GENERAL FUND	CASH FUNDS	REAPPROPRIATED FUNDS	FEDERAL FUNDS	FTE
AED adjustment	233,811	(28,415)	223,436	2,744	36,046	0.0
SAED adjustment	233,811	(28,415)	223,436	2,744	36,046	0.0
Leased space adjustment	224,063	20,044	204,019	0	0	0.0
Paid Parental Leave	80,583	0	80,583	0	0	0.0
Payment to risk management / property funds adjustment	17,199	4,434	12,765	0	0	0.0
Short-term disability adjustment	6,660	(1,360)	6,711	92	1,217	0.0
Payments to OIT adjustment	(3,640,303)	(1,412,326)	(2,227,977)	0	0	0.0
Capitol Complex leased space adjustment	(174,038)	(152,121)	(21,917)	0	0	0.0
Workers' compensation adjustment	(145,754)	(65,448)	(80,306)	0	0	0.0
CORE adjustment	(119,363)	(58,714)	(60,649)	0	0	0.0
DPA Annual fleet vehicle request	(22,685)	(5,671)	(17,014)	0	0	0.0
Shift differential adjustment	(11,971)	0	(11,971)	0	0	0.0
ALJ adjustment	(2,059)	0	(2,059)	0	0	0.0
TOTAL	\$913,504	34,337	\$659,151	\$26,777	\$193,239	0.0

INDIRECT COST ADJUSTMENT: The recommendation includes net adjustments to indirect costs across the Department.

TECHNICAL ADJUSTMENTS: The recommendation includes technical adjustments, summarized in the following table.

TECHNICAL ADJUSTMENTS				
	TOTAL FUNDS	GENERAL FUND	CASH FUNDS	FTE
DPA-IDS Tax Pipeline adjustment	\$959,759	\$959,759	\$0	0.0
Limited Gaming continuous appropriation adjustments	868,667	0	868,667	1.0
FAST Enterprises contract escalator	341,160	166,440	174,720	0.0
Adjustment for revenue forecast	(2,499,458)	(2,432,840)	(66,618)	0.0
TOTAL	(\$329,872)	(1,306,641)	\$976,769	1.0

ANNUALIZE PRIOR YEAR LEGISLATION: The recommendation includes a net decrease of \$186,155 total funds to reflect the FY 2019-20 impact of bills passed in previous sessions, summarized in the following table.

ANNUALIZE PRIOR YEAR LEGISLATION					
	TOTAL FUNDS	GENERAL FUND	CASH FUNDS	REAPPROPRIATED FUNDS	FTE
HB18-1185 Market Sourcing for Bus Inc Tax Apport	\$260,662	\$260,662	\$0	\$0	0.0
SB18-141 Income Tax Check-off Nonprofit Donation	239,510	0	239,510	0	1.8
SB18-200 PERA Unfunded Liability	212,941	76,494	136,210	237	0.0
SB17-267 Sustainability of Rural Colorado	53,064	53,064	0	0	0.6
HB18-1217 Income Tax Credit for Employer 529 Contrib	50,000	0	50,000	0	0.0
HB18-1060 Income Tax Deduction Mil Retirement	35,038	35,038	0	0	0.0
HB18-1350 Machine Tool Sales Tax Exemption	24,328	24,328	0	0	0.4
HB18-1267 Income Tax Credit for Retrofitting	12,162	12,162	0	0	0.1
HB18-1208 Expand Child Care Expenses Income Tax Credit	11,040	11,040	0	0	0.0
HB13-1110 Alternative Fuels	10,196	0	10,196	0	0.0
SB18-108 Eligibility CO Road and Comm Safety Act	6,879	0	6,879	0	1.5
HB17-1012 Pueblo Chile License Plate	183	0	183	0	0.0
HB17-1212 Aviation Special License Plate	182	0	182	0	0.0
SB19-123 Supplemental	(910,286)	0	(910,286)	0	0.0
SB18-233 Elections Clean-up	(63,000)	0	0	(63,000)	0.0

ANNUALIZE PRIOR YEAR LEGISLATION					
	TOTAL FUNDS	GENERAL FUND	CASH FUNDS	REAPPROPRIATED FUNDS	FTE
HB18-1339 Background checks employees access	(35,590)	(35,590)	0	0	0.0
SB18-243 Retail Sales Alcohol Beverages	(17,796)	0	(17,796)	0	0.0
SB18-259 Local Government Retail Marijuana Taxes	(15,840)	(15,840)	0	0	0.0
HB18-1280 Court Appointees for Marijuana Bus	(14,032)	0	(14,032)	0	0.0
SB18-271 Improve Funding for Marijuanan Research	(10,656)	0	(10,656)	0	0.0
HB18-1042 Private Interstate Comm Vehicle Reg	(10,607)	(10,607)	0	0	0.0
HB18-1285 Remuneration-exempt Disability Parking	(9,870)	(9,870)	0	0	0.0
HB18-1255 Childhood Cancer License Plate	(7,252)	0	(7,252)	0	0.0
HB18-1025 Move Title 12 Liquor to Title 44	(3,091)	0	(3,091)	0	0.0
HB18-1244 Submarine Veterans License Plate	(2,220)	0	(2,220)	0	0.0
SB18-036 Relocate Title 24 Tobacco Sales	(2,100)	0	(2,100)	0	0.0
TOTAL	(\$186,155)	400,881	(\$524,273)	(\$62,763)	4.4

MAJOR DIFFERENCES FROM THE REQUEST

Staff's recommendations for FY 2018-19 are \$298,070 greater than the request.

- The largest portion is included in the Salary Survey adjustment, equal to a total funds increase of \$220,735, including a General Fund increase of \$6,701 and a cash funds increase of \$211,743. Staff's recommended appropriation is consistent with Committee compensation common policy figure setting. This difference is due to the way the Governor's January 15th request was submitted for a change from Merit Pay to an across-the-board increase in Salary Survey. That request was submitted without department budget schedule changes. JBC staff reflected a dollar for dollar change from Merit Pay to Salary Survey to reflect the Governor's request. However, Committee policy to approve a 3.0 percent across-the-board increase, included technically correct, compensation template adjustments, which, in the Department's case, increased the request. Additionally, this contributed to incremental increases for Short Term Disability, AED, and SAED appropriations.
- Staff recommends an additional 1.0 FTE for an internal IT auditor related to the Department's R1 request. This recommendation adds \$125,368 to the request.
- Staff includes alternate recommendations on leased space requested appropriations for the Department's R1 and R2 requests, resulting in a decrease of \$151,800.

DECISION ITEMS AFFECTING MULTIPLE DIVISIONS

→ R1 GENTAX SUPPORT ENHANCEMENTS

REQUEST: The Department requests an increase of \$1,420,355 General Fund and 12.0 FTE, including 6.0 FTE for the Department and 6.0 FTE for OIT, for FY 2019-20, annualizing to \$2,827,850 General Fund and 26.0 FTE (13.0 FTE DOR, 13.0 FTE OIT) for FY 2020-21, and annualizing to \$2,762,008 General Fund and 26.0 FTE thereafter. These Department and OIT staff resources are requested to enhance the Department's management of its tax administration IT system known as GenTax.

RECOMMENDATION: Staff recommends that the Committee approve the request, with an adjustment to leased space as outlined in the analysis. Staff further recommends an additional 1.0 FTE for a DOR internal IT auditor to provide internal IT audit oversight of all DOR IT systems, with a particular emphasis on the GenTax enhancement request. Appropriation recommendations are outlined in the analysis section.

ANALYSIS:

OVERVIEW

The Department requests a two-year build-out of an in-house technical team in the Department and in the Governor's Office of Information Technology (OIT) for GenTax, the State's tax administration IT system. The request totals \$1.4 million General Fund and 12.0 FTE, including 6.0 FTE for each in the first year. The request annualizes to \$2.8 million General Fund and 26.0 FTE, including 13.0 FTE for each.

The Department's request narrative states that the two-year build-out included in this request is the first of a three-phase plan that also intends to address: areas of deficiency in system functionality in phase 2; and additional reporting ability related to legislative requests in phase 3.

This build-out represents a change in strategy for managing the GenTax system in which the Department and OIT expect to play a more hands-on and directed management approach to the system. Previously, the Department has relied on the vendor, FAST Enterprises, to single-handedly provide day-to-day, technical operation of the system, including the provision of programming changes to accommodate policy changes and the collection of data points related to requests for information that often originate from legislative economists, legislative staff, and legislators.

The Department's budget currently includes funding for an internal, Department team that is dedicated to the GenTax system. The current team is a staff of 14, which consists of 10 Analyst III, three Analyst IV, and one Administrator V positions. The team is located in the budget in the Taxation and Compliance section of the Taxation Business Group; however, functionally, the team is transitioning to a department-wide oversight structure within the EDO. The Department anticipates realigning the budget in the next budget cycle. Staff resources related to this request would similarly be located within the EDO.

The Department describes the task responsibility as "the whole team works to support GenTax based on the highest priority needs". It is staff's understanding that this team has primarily functioned in a liaison capacity from the Department to the vendor, for the purpose of communicating and securing programming changes related to tax policy changes and what are determined to be ongoing legislative requests for information, in addition to internal "help desk" and technical troubleshooting responsibilities.

The Department's current budget includes an appropriation of \$5.7 million General Fund for the contracted, annual operating expenses for the GenTax system, paid to the vendor. Additionally, the Department estimates that another \$1.1 million is spent on the internal GenTax team. The additional \$2.8 million included in the annualized or out-year portion of the request, represents an increase of just under 50 percent on the contracted, annual operating expenses amount, and just over 40 percent of the current, total annual spending on GenTax. Additionally, these percentage increases on current spending do not include estimates for future phases for this Department initiative.

THE GEN TAX PROBLEM

Following the 2018 legislative session, staff was alerted to reporting concerns related to the GenTax system by Legislative Council Staff (LCS) economists.

As staff understands it, for the period since the GenTax system has been in operation, but particularly in recent years, the Department has not been able to provide actual, aggregated tax data for a wide variety of state, regional, industry-specific, and economic sector data points. This limits the economists' ability to identify correlations and trends for the purpose of improved economic forecasts and to more accurately and confidently project tax revenue changes as a result of tax policy changes proposed in legislation.

Over the interim, staff attended a handful of meetings with LCS economists and Department representatives to discuss potential solutions to this issue generally and the limitation of reporting that appears to be a fundamental aspect of the GenTax system.

At budget briefing in December 2018, staff communicated the opinion that there are fundamental problems with the GenTax system, as procured, implemented, and managed by the Department and OIT. In particular, the GenTax system is not currently developed or operated to provide historical and ongoing data and analysis for state tax revenue experience to guide tax policy decision making.

THE PERSPECTIVE OF CURRENT DEPARTMENT LEADERSHIP

Based on discussions with the representatives from the Department budget office and Department leadership in the EDO, it is staff's opinion that the initiatives included in this request are intended to best correct problems identified with the GenTax system and the Department's knowledge and bargaining position relative to the vendor. In staff's opinion, current leadership properly takes the position that there is a problem with the GenTax system; that likely, there were problems with the decisions made to implement GenTax; and that this leadership team, while not involved in those earlier decision points, is working to best resolve the current problems faced by the State as it relates to the GenTax system.

The Department states that the vendor's off-the-shelf tax modules are the only customizable off-the-shelf tax administration system available in the market. This gives FAST Enterprises a monopoly position in this market; and through conversations with a variety of participants in these discussions, all other states in contract with the vendor for tax administration systems are seeking ways to improve their bargaining position relative to the vendor. In this request, the Department seeks to build an internal technical team that will initially get up to speed on the technical specs of the current system. This will allow the Department to counterbalance the knowledge and bargaining power that the vendor is able to exert over the Department and the State regarding all aspects of the system.

The Department provided staff with a pdf slideshow called GenTax Risk Assessment, Internal Audit, March 2018, prepared by the OIT internal IT audit group. The Department refers to this file as an audit report. However, in staff's opinion, this is a highly conceptual slideshow, with very little narrative explanation of the findings of any audit. If an internal "audit" was actually completed, its documentation in the form of an audit report does not appear to exist. Nevertheless, one of the points included in the pdf slideshow is that the Department has insufficient institutional knowledge of GenTax and that a knowledge transfer from the vendor to the State has not occurred. The slideshow points out that the risk is that if FAST Enterprises chose not to renew the support contract, the State

would be unable to process tax returns. While this statement is true, it is not a likely outcome; and the greater risk is unstated: the State, through the Department's contract with the vendor, and through the Department's management of this relationship, has left the State hostage to the ongoing goodwill of the vendor.

The Department's intentions in this request item are to eliminate the greater knowledge and bargaining position held by the vendor. In this solution, it appears that the cost for the current request will require spending that is 50 percent greater than the current annual operating cost for GenTax. While this may be a high cost to pay for some additional control and needed technical knowledge of the existing system, the cost may be worthwhile given the alternative of maintaining the status quo and continuing the State's lackadaisical approach to the vendor and attitude related to the preservation of and access to its tax data.

JTC RECOMMENDATION

At briefing, staff recommended that the Department's R1 request be reviewed by the Joint Technology Committee (JTC). Further, staff recommended that the JTC also consider the implementation of a tax data warehouse and the development of a severance tax administration module independent of the GenTax system. The Committee approved this recommendation.

As included in the JTC Letter to the JBC of March 8th, included as appendix A, the JTC recommends that the JBC fund the Department's request for R1. The JTC has asked the Department to provide monthly status updates to the JTC. **Staff recommends that the Committee approve the Department's R1 request, with ongoing funding contingent on the Department's participation with the JTC's request.** The JTC staff memo to the JTC of February 22nd, regarding the R1 operating request is included as appendix B.

The JTC continues to consider the creation of a tax data warehouse and independent severance tax module. JTC staff has recommended that the JTC sponsor legislation to provide funding for an independent consulting firm to assess the GenTax system and create a legislative task force to evaluate ways to improve state tax reporting, study the possibility of implementing an independent severance tax module, and manage the work of the independent consultant. The JTC staff memo to the JTC of March 7th is included as appendix C.

JBC STAFF CONVERSATIONS WITH JTC STAFF

JBC staff has had ongoing conversations with JTC staff regarding the referral and the Department's R1 request. JBC and JTC staff are in agreement that the Department's request should be funded. However, JTC staff expressed concerns about the lack of technical specificity related to outstanding service requests related to the GenTax system, which this request is intended to resolve. JTC staff is concerned that there is no timeline established for meeting objectives and goals and no priorities established for resolving service requests. However, both JTC staff and JBC staff are generally confident that establishing a monthly status reporting process will encourage and enable improved goalsetting for this project.

JBC and JTC staff also met with auditors from the Office of the State Auditor. A recommendation presented by auditors was to add an internal IT audit staff role for the Department and possibly for OIT related to this request. OIT has an internal IT audit team function at this time. Therefore, staff is recommending the addition of an internal IT audit staff person for the Department. This role would include internal IT audit responsibility for all Department IT systems, with an emphasis on GenTax

and the R1 enhancements project. JBC staff believes that this will provide a necessary check on GenTax systems improvement progress and provide the DOR leadership team with enhanced technical information from an independent but internal staff resource. JTC staff supports JBC staff's recommendation for this addition to the Department's request; although the JTC itself did not consider this role in its deliberations.

R1 RECOMMENDATION SPECS

The following table outlines the staff recommendation, which includes approving the Department's request and approving an additional 1.0 FTE for an internal IT auditor.

R1 GenTax Support Enhancements Staff and Operating Expense Specs						
	FY 2019-20		FY 2020-21		FY 2021-22	
	FTE	Cost	FTE	Cost	FTE	Cost
OIT Personal Services and POTS						
Lead/Program Manager	1.0	\$140,654	1.0	\$140,654	1.0	\$140,654
Sr. Database Administrator	0.0	0	1.0	140,654	1.0	140,654
Sr. Application Support	1.0	126,535	2.0	253,070	2.0	253,070
Application Support II	2.0	204,829	4.0	409,662	4.0	409,662
Application Support I	1.0	92,252	4.0	369,008	4.0	369,008
Quality Assurance	1.0	83,289	1.0	83,289	1.0	83,289
subtotal - OIT Personal Services	6.0	\$647,559	13.0	\$1,396,337	13.0	\$1,396,337
DOR Personal Services and POTS						
Business Analyst V - Lead	0.0	\$0	2.0	\$207,058	2.0	\$207,058
Business Analyst IV	2.0	168,688	6.0	506,063	6.0	506,063
Training Specialist IV	2.0	168,688	2.0	168,688	2.0	168,688
Operational Supervisor	1.0	111,640	1.0	111,640	1.0	111,640
Statistical Analyst III	0.0	0	1.0	91,578	1.0	91,578
Analyst IV - Technical Writer	1.0	84,344	1.0	84,344	1.0	84,344
Auditor IV - Internal IT Audit	1.0	111,640	1.0	111,640	1.0	111,640
subtotal - DOR Personal Services	7.0	\$645,000	14.0	\$1,281,011	14.0	\$1,281,011
Total Personal Services	13.0	\$1,292,559	27.0	\$2,677,348	27.0	\$2,677,348
OIT Operating Expenses		\$33,918		\$45,271		\$12,350
DOR Operating Expenses						
Operating Expenses		\$41,046		\$47,696		\$36,343
Leased Space		46,200		92,400		92,400
subtotal - DOR Operating Expenses		\$87,246		\$140,096		\$128,743
Total Operating Expenses		\$121,164		\$185,367		\$141,093
R1 Total Recommendation	13.0	\$1,413,723	27.0	\$2,862,715	27.0	\$2,818,441

DIFFERENCES FROM THE REQUEST

Staff's recommendation is consistent with the request except for:

- The cost associated with Leased Space. Due to the number of staff added to the Department's budget in recent years, Legislative Council Staff Fiscal Notes policy is to include an appropriation of \$6,600 for each FTE, calculated at 220 square feet per FTE at \$30 per square foot. The Department's request includes leased space for all annualized FTE, including OIT staff. Staff has reduced the recommended appropriation to accommodate a leased space appropriation for DOR

staff only, and with adjustments for each year of the request. The Department's leased space request totaled \$171,600 in each year calculated on the annualized total DOR and OIT staff.

- Staff recommends an internal IT auditor staff position and associated operating expenses. This increases the request by \$125,368 in FY 2019-20 and \$120,665 ongoing.

POTS APPROPRIATIONS

Staff recommends including POTS appropriations. Committee policy is to include benefits POTS appropriations for budget request items or bills which increase staff by at least 20.0 FTE. All of staff's recommendations related to the Department's requests increase staff by 35.6 FTE, although no individual request item is for at least 20.0 FTE. Staff recommends funding the requested POTS appropriations, due to the scale of additional staff requested and recommended across all requests. Similarly, staff has included POTS appropriations adjustments for all request items on the same basis.

→ R2 SALES AND USE TAX COLLECTION

REQUEST: The Department requests an increase of \$1,057,808 General Fund and 14.6 FTE for FY 2019-20, annualizing to \$815,000 General Fund and 10.6 FTE for FY 2020-21 and ongoing. The request is for staff resources to enable the Department to better manage the collection of sales taxes from out-of-state retailers as a result of the Supreme Court's, *South Dakota v. Wayfair* decision in 2018.

RECOMMENDATION: Staff recommends that the Committee approve the request, with an adjustment to leased space as outlined in the analysis.

ANALYSIS:

LEGAL OVERVIEW

States were previously prohibited from imposing sales tax obligations on retailers who lacked a physical presence within a state. The U.S. Supreme Court reversed its position on the physical presence requirement in its *South Dakota v. Wayfair* decision on June 21, 2018.

Section 39-26-104 (1)(a), C.R.S., requires the Department to collect sales taxes "upon all sales and purchases of tangible personal property at retail". With the elimination of the physical presence requirement, as the Department interprets its statutory responsibility to collect sales taxes, it is now required to collect sales taxes from out-of-state retailers.

The Department submitted an interim supplemental request in September related to this decision that was not approved by the Committee. Nevertheless, in its effort to uphold its statutory obligations, the Department has promulgated the following two rules related to the Wayfair decision to begin implementation of the collection of sales and use taxes from out-of-state retailers as of December 1, 2018.

- The first is a *de minimis* standard, consistent with South Dakota's treatment of out-of-state retailers, which requires out-of-state retailers with 200 or more transactions or with sales of \$100,000 or more in a year to collect and pay sales and use taxes to the State.

- The second is a destination-sourcing rule, which requires all retailers, including in-state retailers, to collect sales taxes based on the destination of a sale for sales not made in-store.

At the time of the interim supplemental request, staff consulted with attorneys from the Office of Legislative Legal Services (OLLS) regarding the Department's current statutory authority. Based on information provided by OLLS, staff is satisfied that the Department has statutory authority to promulgate the rules and implement the collection of sales and use taxes from out-of-state retailers.

The Department projects that sales tax revenue will increase \$168 to \$262 million annually related to these collections.

THE DESTINATION-SOURCING RULE

While the *de minimis* standard rule is directly related to the South Dakota standards reviewed in the Wayfair decision and is relatively self-explanatory, the destination-sourcing rule is a critical change that requires additional, technical explanation.

The destination-sourcing rule requires all retailers, including in-state retailers, to collect sales taxes based on the destination of a sale for sales not made in-store. For in-state retailers, in an online retail transaction that requires a package to be shipped, sales taxes have traditionally been collected based on the location of the retailer shipping the package to a customer. This made the calculation of sales taxes by the retailer straightforward and consistent for every sale made to any in-state customer.

However, the collection of sales taxes from out-of-state retailers necessarily requires that sales taxes be collected based on the customer location or destination of the shipped package and not on the sales tax rates of the retailer's location. In order to apply this standard fairly across all retailers, in-state retailers would be required to follow this standard.

However, in addition to the fairness across retailers, the destination-sourcing rule also improves economic fairness related to the distribution of sales taxes to local governments – particularly for smaller and more rural communities. The destination-sourcing rule returns sales tax revenue to the customer's local governments which had previously been paid to the retailer's local governments. For smaller and more rural communities, whose population base has lesser access to retail products generally, the destination-sourcing rule generates sales tax revenue based on the purchases made by the community's population base for online purchases.

Nevertheless, this change does entail a substantial change in process for in-state retailers. The Department's request includes 4.0 FTE of Training Specialist IIIs to be located in existing service locations outside of Denver, including Fort Collins, Colorado Springs, Pueblo, and Grand Junction. These staff resources would be dedicated to sales tax training for in-state businesses related to this change.

The Department states that it only has authority to collect for state-collection jurisdictions but not for home-rule jurisdictions without a formal agreement. Home rule jurisdictions are responsible for their own sales tax collection. However, the Department states that most if not all home-rule jurisdictions have destination-sourced policies in place; and the Department's rule change adds consistency across the State in this respect. However, it also appears to be the case that businesses may not be filing destination-sourced sales taxes correctly with home-rule jurisdictions.

On the State side, to accommodate basic needs for the rule change, the Department: established a grace period to address this transition to destination-sourcing; established a single portal for registration, filing, and remittance on the GenTax system by re-prioritizing GenTax needs; and reassigned staff resources from other areas to work with retailers exclusively on sales tax issues and questions. Additionally, currently the Department has one trainer for public information, so the Department developed webinars to explain processes and has established separate FAQ pages for in-state retailers and out-of-state retailers.

The Department implemented aspects of the objectives included in the interim supplemental request, but on a much smaller scale. This request would enable the Department to better address the destination-sourcing rule change and the collection of sales taxes from out-of-state retailers.

S.B. 19-006

Senate Bill 19-006 (Electronic Sales and Use Tax Simplification System) would establish a statewide portal for the collection of sales and use tax. The bill specifies that the Department go through a procurement process and once the system is online the department is required to accept any returns and payments processed through the system for state sales and use tax and for any sales and use taxes that are collected by the department on behalf of any local taxing jurisdiction. The bill includes legislative intent that all local taxing jurisdictions with home rule charters voluntarily use the system within a specified number of years. The bill includes a transfer of General Fund to a designated cash fund for this purpose. The General Fund is identified as additional state revenue from anticipated tax revenues collected as a result of Wayfair changes. As of publication, the bill had passed in the Senate and was on third reading in the House.

The Department's R2 request does not include funding for IT systems changes, and only addresses staff resource needs. Although not having reached final passage, legislative action on S.B. 19-006 suggests that the Department's request is consistent with legislative intent to establish a better sales and use tax collection system as a result of Wayfair.

REQUEST SPECS

The Department requests \$1.1 million General Fund and 14.6 FTE in FY 2019-20, and \$815,000 General Fund and 10.6 FTE ongoing for this request. Staff's recommendation is outlined in the following table.

R2 Sales and Use Tax Collection Staff Resources and Operating Expenses				
	FY 2019-20		FY 2020-21	
	FTE	Cost	FTE	Cost
Tax Examiner I				
Sales Tax - Distribution	1.4		1.4	
Sales Tax - Refunds	0.1		0.1	
Local Government Support	1.0		1.0	
Call Center	4.1		0.1	
subtotal - Tax Examiner I	6.6	\$382,380	2.6	\$152,556
Tax Examiner II - Call Center - Work Lead	1.0	\$65,131	1.0	\$65,131
Tax Examiner III - Call Center Supervisor	1.0	74,049	1.0	74,049
Training Specialist III	4.0	277,741	4.0	277,741

R2 Sales and Use Tax Collection Staff Resources and Operating Expenses				
	FY 2019-20		FY 2020-21	
	FTE	Cost	FTE	Cost
Analyst III				
Local Government Support	1.0		1.0	
e-File Support	1.0		1.0	
subtotal - Analyst III	2.0	\$138,871	2.0	\$138,871
Operating Expenses		\$23,276		\$10,070
Leased Space		69,960		69,960
Total	14.6	\$1,031,408	10.6	\$788,378

Staff's recommendation is consistent with the request except for the cost associated with Leased Space. Due to the number of staff added to the Department's budget in recent years, Legislative Council Staff Fiscal Notes policy is to include an appropriation of \$6,600 for each FTE, calculated at 220 square feet per FTE at \$30 per square foot. The Department's request includes leased space for 14.6 FTE; equal to a request of \$96,360. However, the request includes 4.0 FTE of staff for one year. It is the opinion of JBC staff that permanent FTE might reasonably be accorded a leased space appropriation, but temporary staff should not. JBC staff has included this adjustment in the recommendation.

Nevertheless, staff recommends that the Committee otherwise approve the request as submitted for the following reasons.

- Attorneys at the OLLS have advised staff that the Department has the authority to promulgate rules changes based on its statutory responsibility to collect sales taxes, following the change in legal application determined in the *Wayfair* Supreme Court decision.
- On the basis of public policy and tax policy fairness, sales taxes should be collected consistently across all retailers, whether operating from traditional, "bricks and mortar" stores or online.
- The change to destination-sourcing for the payment and collection of sales taxes may increase sales tax revenue collection for smaller communities and rural tax bases and enhances the sense of economic fairness for those smaller communities and rural tax bases.
- With the passage of S.B. 19-006, the Department's request appears to be consistent with legislative intent to establish an improved statewide sales and use tax collection system as a result of Wayfair.

→ R3 LOTTERY BACK OFFICE RESTRUCTURE

REQUEST: The Department requests an increase of \$2,198,993 cash funds from the Lottery Fund and a decrease of 2.0 FTE in FY 2019-20 and ongoing. The request is to allow the Lottery to purchase a "back office IT system" from the Lottery's current gaming system vendor. The current back office system is an internal, legacy IT system serviced by OIT, the elimination of which entails a decrease of 2.0 FTE.

RECOMMENDATION: Staff recommends that the Committee approve the request.

ANALYSIS: The Department's request for a new Lottery back-office IT system totals \$2.2 million cash funds spending authority. The Department states that the current back-office IT system is a legacy system maintained by OIT and is reaching a critical stage that will require investments in hardware. Rather than continue to operate the current system, the Department proposes to replace the system with a back-office system available from the Lottery's gaming vendor.

This solution would be billed based on total sales revenue at a rate of 0.34 percent of sales. Total sales revenue for FY 2019-20 is projected at approximately \$540 million, which would entail a cost of \$1.8 million. The Department has estimated necessary spending authority at a "high-sales" projection of \$650 million.

At briefing, staff recommended that the Committee refer this request to the Joint Technology Committee (JTC) for review, because it entails an IT systems replacement. The Committee referred this request item to be reviewed by the JTC. The JTC recommends funding the request. The JTC's letter is included as appendix A at the end of this figure setting document.

→ R4 DRIVERS LICENSE DOCUMENTS

REQUEST: The Department requests an increase of \$1,312,872 cash funds from the Licensing Services Cash Fund for FY 2019-20, annualizing to \$1,729,341 for FY 2020-21. The request is entirely the result of accommodating the anticipated volume for driver's license documents. The Department pays a per-card cost to a vendor to provide the document materials as well as all verification processing related to the document. This cost is driven generally by population growth and specifically by actual customer demand for driver's license documents.

RECOMMENDATION: **Staff recommends that the Committee approve the request.** Additionally, staff recommends that the Committee establish a policy to allow the Department to submit annual projection adjustments for Drivers License Documents, License Plate Ordering, and related Postage expenses as annual technical adjustments rather than request items in future budget requests.

ANALYSIS: Document issuance has experienced a compound annual growth rate of 4.9 percent since FY 2013-14.

Driver's License Documents Issuance					
	FY 13-14	FY 14-15	FY 15-16	FY16-17	FY 17-18
DL Documents Issued	\$1,233,804	\$1,367,055	\$1,391,959	\$1,483,164	1,567,975
Change		133,251	24,904	91,205	84,811
Percentage Change		10.8%	1.8%	6.6%	5.7%
Compound Annual Growth Rate					4.9%

Over the current fiscal year and next five years, the Department projects increases of 4.2, 5.5, 5.4, 5.0, and 5.0 percent, respectively.

DOR Driver's License Documents Projected Costs						
	FY 17-18	FY 18-19	FY 19-20	FY 20-21	FY 21-22	FY 22-23
Projected Growth		4.2%	5.5%	5.4%	5.0%	5.0%
DL Documents Issued	1,567,975	1,633,830	1,723,691	1,816,770	1,907,608	2,002,989
Document Cost	\$5,726,109	\$6,795,099	\$7,168,829	\$7,555,946	\$7,933,744	\$8,330,431
Postage Cost	627,401	687,045	715,901	745,253	775,808	807,616
Total Cost	\$6,353,510	\$7,482,144	\$7,884,730	\$8,301,199	\$8,709,552	\$9,138,047
Current Budget	\$6,571,858	\$6,571,858	\$6,571,858	\$6,571,858	\$6,571,858	\$6,571,858
Reversion/(Spending Authority Shortage)	\$218,348	(\$910,286)	(\$1,312,872)	(\$1,729,341)	(\$2,137,694)	(\$2,566,189)

Every few years, the Department submits a request for an increase in this appropriation to accommodate additional volume for driver's license documents. This item is a non-discretionary expense for the Department that is entirely based on customer demand. The Department earns fee revenue for this purpose through statutory authority. However, authority to pay for costs for these products and services are annually appropriated in the budget process from revenue earned.

The Department had requested that the Committee consider providing continuous spending authority for this line item. However, the Committee chose not to pursue legislation for that purpose. Staff recommends that the Committee approve the request and establish Committee policy to allow the Department to submit annual budget request adjustments through a technical or base adjustment rather than through a policy change request item every few years. Additionally, staff recommends that the Committee allow the Department to submit similar, annual technical or base adjustments for its License Plate Ordering line item and for Postage adjustments that are related to either of these purposes.

→ R5 DMV LEASED SPACE

REQUEST: The Department requests an increase of \$3,172,536 cash funds from the Licensing Services Cash Fund and 8.0 FTE for FY 2019-20, annualizing to \$954,146 cash funds and 8.0 FTE in FY 2020-21 and ongoing. This request addresses the first-year move and build-out costs and ongoing lease and increased staffing costs for expiring leases for driver's license offices (DLOs) in Littleton, Parker, Boulder, and Longmont.

RECOMMENDATION: Staff recommends that the Committee approve the request.

ANALYSIS: The Department operates 34 DLOs across the State and this request is an annual request for additional spending authority to address increased and changed space needs for four or five of the DLOs.

The increase in leased space appropriations will be used to relocate the Driver's License Offices (DLOs) in Littleton, Parker, Boulder, and Longmont to more adequately serve the existing and growing customer base in those areas. The Department reports one year increases in document issuance from the Littleton, Parker, and Longmont DLOs in FY 2017-18 of 12.2, 22.0, and 9.7 percent respectively. Similarly, the Department reports one-year increases in customer foot traffic in FY 2017-18 of 16.4, 16.8, and 3.8 percent, respectively. The Department reports that the Boulder DLO has similar growth experience, but it has reached maximum capacity and facility constraints prevent the

addition of DMV staff. The Department reports that the Boulder office has one-third less square footage than other DLOs with similar customers-served counts. Additionally, a portion of the request is also intended to cover increased lease cost for the existing Lamar DLO.

The staff resource increases will place 3.0 FTE in Littleton, 2.0 FTE in Parker, 2.0 FTE in Longmont, and 1.0 FTE in Boulder. The first-year cost for facility build-out is estimated at \$2.0 million. The first-year and ongoing leased space cost is estimated at \$311,000. The first-year and ongoing personal services appropriations for the staff resources are estimated at \$435,000. The first-year moving and operating expenses are estimated at \$386,000; the ongoing operating expenses are estimated at \$208,000.

R5 DMV Leased Space Cost Specs			
	FTE	FY 19-20	FY 20-21
EDO - Leased Space*		\$2,351,109	\$311,109
DMV - Personal Services	8.0	435,437	435,437
DMV - Operating Expenses		385,990	207,600
Total	8.0	\$3,172,536	\$954,146
* Leased Space includes facility buildout in FY 2019-20, estimated at \$2.0 million.			

→ R6 LOTTERY WALMART EXPANSION

REQUEST: The Department requests an increase of \$5,719,000 cash funds from the Lottery Fund for FY 2019-20, annualizing to \$2,321,000 in FY 2020-21 and ongoing. This request is to lease 200 additional Gemini vending machines to be located in Walmart Super Centers. The Department states that this expansion should increase Lottery sales by \$29 to \$40 million, providing approximately \$6 to \$9 million in additional proceeds for Lottery beneficiaries.

RECOMMENDATION: **Staff recommends that the Committee approve the request.** Staff's recommendation is based on the Lottery Commission's authority over general Lottery operations, which may be considered to include a charge to expand revenue from Lottery games for the benefit of identified beneficiaries of lottery proceeds. Staff does not make this recommendation on the consideration of what markets or customer demographics should be targeted for Lottery sales expansion. The Committee may wish to entertain such public policy considerations which fall outside of staff's consideration of budget adjustments based on current law.

ANALYSIS: The Department states that the request to place vending machines at Walmart Super Centers is not any different than the placement of similar vending machines at any other Lottery retailer in the State; there is no specific advantage provided to Walmart over other retailers in this action. The Department also states that the addition of Walmart Super Centers to the Lottery retail base will provide the Lottery with the potential to increase annual sales by \$29 to \$40 million.

Staff's initial thought is that the Walmart expansion would more likely simply replace sales that would otherwise be made at other Lottery retailers. However, the Department states that maximum market saturation is estimated at 1 retailer for every 1,200 eligible lottery players in the State. Currently, the Lottery has 1 retailer for approximately every 1,800 eligible players. On this basis, the Department and the Lottery believe that this expansion will expand Lottery sales and not simply replace current sales.

The Department also provided the following demographic details of Colorado Lottery players:

- 66 percent are between the age of 25 and 54;
- 48 percent earn between \$35,000 and \$99,999 per year and 30 percent earn over \$100,000 per year;
- 18 percent earn less than \$35,000 per year and 4 percent earn less than \$15,000 per year;
- The average income is \$84,000;
- 87 percent have had some college education, completed college or have a post-graduate degree;
- 59 percent are employed full time and 23 percent are retired or homemakers.

The following table outlines the first and out-year cost for the request.

R6 Lottery Walmart Expansion Cost Specs		
	FY 19-20	FY 20-21
Vendor Fees - Equipment Lease	\$3,440,000	\$0
Vendor Fees	1,258,000	1,300,000
Retailer Compensation	1,021,000	1,021,000
Total	\$5,719,000	\$2,321,000

→ R7 MARIJUANA ENFORCEMENT DIVISION OPERATIONS

REQUEST: The Department requests an increase of \$2,138,418 cash funds from the Marijuana Cash Fund (not the Marijuana Tax Cash Fund or MTCF), the Department's marijuana regulation program cash fund, and 8.0 FTE for FY 2019-20. Of the \$2.1 million, \$914,416 is requested to be transferred to the Marijuana Tax Cash Fund (MTCF) to fund 5.0 FTE in the Colorado Bureau of Investigation (CBI). The request annualizes to \$1,839,432 million cash funds and 8.0 FTE (including \$890,901 transferred to the MTCF to fund 5.0 FTE in the CBI) in FY 2020-21 and \$948,531 and 8.0 FTE in FY 2021-22 and ongoing, with no continuation of funding for CBI resources from the Marijuana Cash Fund beyond the second year. The Department states that this request is the result of ongoing conversations with and requests from local law enforcement across the state for the Department and CBI to increase enforcement of illegal and unregulated residential cultivation of marijuana, referred to as black and grey market activity. The request includes a request for legislation to transfer funds from the Marijuana Cash Fund to the MTCF for CBI funding.

RECOMMENDATION: Staff recommends that the Committee approve the request.

ANALYSIS:

The Department has structured its Marijuana Enforcement Division (MED) staff and resources for conducting background and compliance investigations related to marijuana industry licensing based on statutory requirements. The Department seeks additional resources to address enforcement priorities adopted by the Department related to priorities identified in the U.S. Department of Justice "Cole Memo", which include "preventing revenue from the sale of marijuana from going to criminal enterprises, gangs, and cartels, ... preventing the diversion of marijuana to other states, ... [and] preventing state-authorized marijuana activity from being used as a cover or pretext for the trafficking of other illegal drugs or other illegal activity."

The Department states that recent data suggests that Colorado law enforcement agencies are increasingly addressing black market activity. One particular area of concern to the Department is the increase in sales of concentrate relative to flower/bud. Sales of concentrate by weight increased 45 percent and sales of concentrates by unit increased 108 percent, while marijuana flower/bud sales increased 15 percent in 2017. The rapid increase in concentrate sales may be driven by the higher profitability of trafficking and selling concentrates outside of Colorado. Concentrates produced and sold in the commercial marijuana market offer traffickers a commercial-grade product that has lower detectability signatures, higher values by weight, and higher demand than flower/bud, as they are not as readily nor legally available in non-legalization states and markets.

The Department proposes to address the black market concerns through data and policy enhancements and through a black market enforcement team.

The Data and Policy Enhancement portion includes 3.0 FTE as follow:

- 1.0 FTE Policy Advisor VII position within the Policy and Regulation Section at MED to backfill the FTE assigned to serve as the statewide cross-departmental marijuana coordinator in the Governor's Office. Prior to the re-assignment, this policy position coordinated and supported legislative and rulemaking activities, and will include a focus on black market activity.
- 2.0 FTE Statistical Analyst II positions for data tracking and analysis focused on black market activity. These positions will also benefit the Office of Research and Analysis (ORA), which is tasked with determining Average Market Rates, and benefit the Tax Division in their efforts to collect tax on marijuana sales.

The Black Market Enforcement Team includes 5.0 FTE as follow:

- 1.0 FTE Criminal Investigator IV position to lead the unit within the MED Investigations Section focused on black market enforcement efforts and reporting to the Chief of Licensing and Investigations.
- 3.0 FTE Criminal Investigator II positions within MED but assigned full-time to the CBI regional teams, include one assigned to the West Slope team and two assigned to the Front Range team, and designated as full POST-certified task force team members. These positions will report operationally to CBI leadership, have ongoing access to MED data to inform investigations, and be tasked with liaison work with regional drug task forces throughout the state.
- 1.0 FTE Statistical Analyst II position to be located at the Colorado Information Analysis Center (CIAC). This position will facilitate analysis of complex data sets and facilitate information exchange between Colorado law enforcement agencies.

Additionally, the CBI Task Force includes 5.0 FTE, funded by a \$914,416 transfer from the Marijuana Cash Fund to the MTCF, to include 1.0 FTE Criminal Investigator III and 4.0 FTE Criminal Investigator II positions, including one to function as a senior agent position.

The following table outlines the request specifics for FY 2019-20 and two years of annualization.

R7 Marijuana Enforcement Division Operations - Request Specs				
		FY 2019-20	FY 2020-21	FY 2021-22
Personal Services and POTS	FTE			
Policy Advisor VII	1.0	\$154,375	\$154,375	\$154,375
Criminal Investigator IV	1.0	150,714	150,714	150,714
Criminal Investigator II	3.0	338,791	338,791	338,791
Statistical Analyst II	3.0	183,483	183,483	183,483
Subtotal - Personal Services	8.0	\$827,363	\$827,363	\$827,363
Operating Expenses				
Operating Expenses		\$134,989	\$34,518	\$34,518
Leased Space		48,000	48,000	48,000
Vehicle Lease Payments (4 vehicles)		13,650	13,650	13,650
Analytical Software		200,000	25,000	25,000
Subtotal - Operating Expenses		\$396,639	\$121,168	\$121,168
Transfer to MTCF for CBI		\$914,416	\$890,901	\$0
Total	8.0	\$2,138,418	\$1,839,432	\$948,531

STAFF RECOMMENDATION

The Department's request establishes a fairly substantial program build-out for the purpose of addressing grey and black market activities that is particularly focused on investigations for the purpose of law enforcement, rather than investigations related to industry licensing and oversight. The request is submitted as a result of identifiable market trends in this maturing industry; ongoing conversations with local law enforcement across the State; and concerns related to enforcement of black market activities expressed by neighboring and other states and the federal government.

The Department's request for an additional \$2.1 million and 8.0 FTE represents an increase of 19.8 percent of the appropriation and an increase of 7.7 percent in FTE on the FY 2018-19 base. However, excluding the \$914,416 transfer to the MTCF for CBI staff resources, the \$1,224,002 balance of the request represents an increase of 11.3 percent of the appropriation. The FY 2020-21 and ongoing annualization amount of \$948,531 represents an increase of 8.8 percent on the current base, which is the best figure for estimating the current and ongoing increase in the program cost base.

Staff is satisfied with the Department's budget request and calculations as submitted for the purpose of addressing grey and black market activities. While this is a fairly substantial increase in MED enforcement activities, the purpose appears to be "ripe" for MED and statewide law enforcement. And in the interest of public safety and the expression of a public policy intention to address concerns from statewide law enforcement, other states, and the federal government, should be addressed at this time.

Staff recommends that the Committee approve the appropriations requested for this request item, including the request for benefits POTS for 8.0 FTE as submitted as previously discussed in request item 1.

MARIJUANA CASH FUND TRANSFER TO THE MTCF FOR CBI

The Department requests a transfer of funds from the Marijuana Cash Fund to the MTCF to support the CBI Task Force for two years. The Marijuana Cash Fund was established to function as the Department's internal, marijuana regulation, licensing, and enforcement program cash fund and

collects revenue through industry licensing fees and fines. Statute provides that money in the fund is subject to annual appropriation for the direct and indirect costs associated with the Department's regulatory and licensing responsibilities.

Staff agrees with the Department that it is preferable to create a statutory two-year transfer from the Marijuana Cash Fund through legislation rather than directly appropriate from the Marijuana Cash Fund to the CBI for the implementation and funding the first two years of the CBI Task Force.

Staff recommends that the Committee pursue legislation, through a Long Bill package bill, to effect a transfer from the Marijuana Cash Fund to the MTCF, totaling \$914,416 in FY 2019-20 and \$890,901 in FY 2020-21, to fund the first two years of the CBI Task Force for marijuana black market investigations and enforcement.

→ MARIJUANA CASH FUND RESERVE WAIVER REQUEST

REQUEST: The Department requests a three-year waiver – FY 2019-20, FY 2020-21, and FY 2021-22 – of the maximum uncommitted reserve established in Section 24-75-402, C.R.S.

RECOMMENDATION: **Staff recommends that the Committee approve the waiver request.**

ANALYSIS: At its creation in statute, the Marijuana Cash Fund included a statutory waiver from the maximum reserve. House Bill 15-1261 included updates and changes to the maximum reserve statute to encourage better compliance to minimize TABOR revenue over-collections. House Bill 15-1261 included repealers for all cash funds with permanent statutory exemptions. The expectation was that cash funds which necessitated ongoing statutory exemptions would request extensions before the original repeal date of July 1, 2017. A repeal amendment was not requested for the Marijuana Cash Fund, which faced its first year of the maximum reserve requirement in FY 2017-18, and after the current fiscal year, will be out of compliance for two fiscal years since that time. In FY 2017-18, the Marijuana Cash Fund had an ending fund balance of \$19.1 million, resulting in a calculated excess reserve of \$15.1 million.

At its creation, the Marijuana Cash Fund was afforded a statutory exemption due to the newness of the industry and its regulation and the potential unknowns and unevenness of revenue collection and costs of program implementation. While the industry is maturing, the Department and the MED continue to focus on establishing a stable and sustainable fee structure.

On July 1, 2016, a reduction in fees assessed on licensees was implemented resulting in a 22 percent reduction (\$4 million) in annual revenue. Some MED and Department funding originally provided from the MTCF has been refinanced to be funded by the Marijuana Cash Fund. Additionally, the Marijuana Cash Fund was used to fund a \$10.0 million capital construction appropriation for the Department of Agriculture laboratory for pesticide testing of marijuana. The black market enforcement program buildout included in request item #7, similarly draws on existing fund balance for industry regulation and oversight. The Department is planning to pursue legislation to have industry fines, currently deposited into the Marijuana Cash Fund, deposited in the MTCF. Additionally, in a future budget year, the Department plans to procure an updated records management system for MED.

The Department states that a three-year waiver should enable the Department enough time to maintain stable fees, maintain program revenue and cost sustainability, and reduce excess reserves.

Staff recommends the Committee approve the waiver request.

(1) EXECUTIVE DIRECTOR'S OFFICE

The Executive Director's Office provides central budgeting, fiscal note coordination, revenue and expenditure accounting, purchasing and contract administration, human resources, internal auditing, project management, facilities safety, and security, and a hearings division for the Department. The office is funded through direct and indirect costs charged to divisions. Additionally, the Executive Director's Office supports the Office of Research and Analysis that develops reports, such as the Department's annual report and monthly and quarterly sales tax reports. They also develop analytical data and estimate the refunding of State of Colorado excess revenues under Article X, Section 20 of the State Constitution.

EXECUTIVE DIRECTOR'S OFFICE						
	TOTAL FUNDS	GENERAL FUND	CASH FUNDS	REAPPROPRIATED FUNDS	FEDERAL FUNDS	FTE
FY 2018-19 Appropriation						
HB 18-1322 (Long Bill)	\$71,873,749	\$34,173,375	\$32,211,870	\$5,488,504	\$0	155.7
SB 19-123 (Supplemental)	81,926	0	81,926	0	0	0.0
Other legislation	98,456	57,596	40,860	0	0	0.0
TOTAL	\$72,054,131	\$34,230,971	\$32,334,656	\$5,488,504	\$0	155.7
FY 2019-20 RECOMMENDED APPROPRIATION						
FY 2018-19 Appropriation	\$72,054,131	\$34,230,971	\$32,334,656	\$5,488,504	\$0	155.7
R1 GenTax Support Enhancements	1,413,723	1,413,723	0	0	0	7.0
R2 Sales and Use Tax Collection	257,275	257,275	0	0	0	0.0
R3 Lottery Back Office Restructure	(26,900)	0	(26,900)	0	0	0.0
R4 Drivers License Documents	105,000	0	105,000	0	0	0.0
R5 Division of Motor Vehicles Leased Space	2,351,109	0	2,351,109	0	0	0.0
R7 Marijuana Enforcement Division Operations	188,855	0	188,855	0	0	0.0
Non-prioritized requests	1,790,471	274,857	1,515,614	0	0	0.0
PERA Direct Distribution common policy allocation	2,218,686	849,711	1,346,314	3,959	18,702	0.0
Centrally appropriated line items	913,504	34,337	659,151	26,777	193,239	0.0
Indirect cost adjustments	13,817	200,062	13,817	(200,062)	0	0.0
Annualize prior year budget actions	(2,311,784)	(852,875)	(1,455,722)	(3,187)	0	0.0
Annualize prior year legislation	(67,280)	8,151	(75,431)	0	0	0.2
TOTAL	\$78,900,607	\$36,416,212	\$36,956,463	\$5,315,991	\$211,941	162.9
INCREASE/(DECREASE)	\$6,846,476	\$2,185,241	\$4,621,807	(\$172,513)	\$211,941	7.2
Percentage Change	9.5%	6.4%	14.3%	(3.1%)	0.0%	4.6%
FY 2019-20 EXECUTIVE REQUEST						
Request Above/(Below) Recommendation	(\$207,617)	\$7,687	(\$210,897)	(\$69)	(\$4,338)	(1.0)

DECISION ITEMS - EXECUTIVE DIRECTOR'S OFFICE (NONE)

Decision items for changes to this division are addressed in the Department section.

(A) ADMINISTRATION AND SUPPORT**PERSONAL SERVICES**

This line item pays for program staff salary and contract services. The staff are responsible for the Department's administration, auditing, accounting, budgeting, personnel management, and research functions. Typical adjustments that occur each year include annualization of salary increases and performance awards granted in the prior fiscal year and common policy base reductions.

STATUTORY AUTHORITY: Sections 24-50-101 *et seq.*, C.R.S.

REQUEST: The Department requests an appropriation of \$10,354,455 total funds, including \$4,575,501 General Fund, \$521,836 cash funds, and \$5,257,118 reappropriated funds, and 132.3 FTE. The request includes: annualization adjustments for salary survey and two bills (S.B. 18-141 and S.B. 18-200); indirect cost recoveries refinancing adjustments; and the Department's R1 request item.

RECOMMENDATION: Staff recommends appropriating \$10,449,509 total funds, including \$4,670,555 General Fund, \$521,836 cash funds, and \$5,257,118 reappropriated funds, and 133.3 FTE. The recommendation includes annualization and indirect cost recoveries refinancing adjustments to the base and reflects staff recommendations on the Department's R1 request item. Adjustments are outlined in the following table.

EXECUTIVE DIRECTOR'S OFFICE, ADMINISTRATION AND SUPPORT, PERSONAL SERVICES						
	TOTAL FUNDS	GENERAL FUND	CASH FUNDS	REAPPROPRIATED FUNDS	FEDERAL FUNDS	FTE
FY 2018-19 APPROPRIATION						
HB 18-1322 (Long Bill)	\$9,634,991	\$3,680,120	\$497,691	\$5,457,180	\$0	126.1
Other legislation	\$0	\$0	\$0	\$0	\$0	0.0
TOTAL	\$9,634,991	\$3,680,120	\$497,691	\$5,457,180	\$0	126.1
FY 2019-20 RECOMMENDED APPROPRIATION						
FY 2018-19 Appropriation	\$9,634,991	\$3,680,120	\$497,691	\$5,457,180	\$0	126.1
R1 GenTax Support Enhancements	540,288	540,288	0	0	0	7.0
Annualize prior year budget actions	238,948	230,259	8,689	0	0	0.0
Annualize prior year legislation	35,282	19,826	15,456	0	0	0.2
Indirect cost adjustments	0	200,062	0	(200,062)	0	0.0
TOTAL	\$10,449,509	\$4,670,555	\$521,836	\$5,257,118	\$0	133.3
INCREASE/(DECREASE)	\$814,518	\$990,435	\$24,145	(\$200,062)	\$0	7.2
Percentage Change	8.5%	26.9%	4.9%	(3.7%)	0.0%	5.7%
FY 2019-20 EXECUTIVE REQUEST						
Request Above/(Below) Recommendation	(\$95,054)	(\$95,054)	\$0	\$0	\$0	(1.0)

HEALTH, LIFE, AND DENTAL

This line item provides funding for the employer's share of the cost of group benefit plans providing health, life, and dental insurance for state employees. The reappropriated funds portion of this line item corresponds to the health, life, and dental benefits of employees whose salaries are included in the indirect cost recovery plan.

STATUTORY AUTHORITY: Sections 24-50-609, 24-50-611, and 24-50-104 (1) (a) (II), C.R.S.

REQUEST: The Department requests an appropriation of \$13,180,125 total funds, including \$5,267,500 General Fund, \$7,783,699 cash funds, \$34,423 reappropriated funds, and \$94,503 federal funds. The request includes annual Health, Life, and Dental base adjustments, a non-prioritized request from OIT, and the Department's R1, R2, R3, and R7 request items.

RECOMMENDATION: Staff recommends appropriating \$13,188,052 total funds, including \$5,275,428 General Fund, \$7,781,758 cash funds, \$34,422 reappropriated funds, and \$96,444 federal funds. The recommendation reflects Committee action on compensation common policies and staff recommendations on the Department's R1, R2, R3, and R7 request items. The Committee decision on the non-prioritized request from OIT is pending. Adjustments are outlined in the following table.

EXECUTIVE DIRECTOR'S OFFICE, ADMINISTRATION AND SUPPORT, HEALTH, LIFE, AND DENTAL						
	TOTAL FUNDS	GENERAL FUND	CASH FUNDS	REAPPROPRIATED FUNDS	FEDERAL FUNDS	FTE
FY 2018-19 APPROPRIATION						
HB 18-1322 (Long Bill)	\$12,699,520	\$5,065,441	\$7,615,882	\$18,197	\$0	0.0
TOTAL	\$12,699,520	\$5,065,441	\$7,615,882	\$18,197	\$0	0.0
FY 2019-20 RECOMMENDED APPROPRIATION						
FY 2018-19 Appropriation	\$12,699,520	\$5,065,441	\$7,615,882	\$18,197	\$0	0.0
Centrally appropriated line items	369,626	35,591	221,366	16,225	96,444	0.0
R2 Sales and Use Tax Collection	118,907	118,907	0	0	0	0.0
R7 Marijuana Enforcement Division Operations	63,418	0	63,418	0	0	0.0
R1 GenTax Support Enhancements	55,489	55,489	0	0	0	0.0
Non-prioritized requests	(103,054)	0	(103,054)	0	0	0.0
R3 Lottery Back Office Restructure	(15,854)	0	(15,854)	0	0	0.0
TOTAL	\$13,188,052	\$5,275,428	\$7,781,758	\$34,422	\$96,444	0.0
INCREASE/(DECREASE)	\$488,532	\$209,987	\$165,876	\$16,225	\$96,444	0.0
Percentage Change	3.8%	4.1%	2.2%	89.2%	0.0%	0.0%
FY 2019-20 EXECUTIVE REQUEST	\$13,180,125	\$5,267,500	\$7,783,699	\$34,423	\$94,503	0.0
Request Above/(Below) Recommendation	(\$7,927)	(\$7,928)	\$1,941	\$1	(\$1,941)	0.0

SHORT-TERM DISABILITY

This line item provides funding for the employer's share of the state employees' short-term disability insurance premiums.

STATUTORY AUTHORITY: Sections 24-51-701 and 24-50-104(1) (a) (II), C.R.S.

REQUEST: The Department requests an appropriation of \$145,098 total funds, including \$57,201 General Fund, \$86,426 cash funds, \$257 reappropriated funds, and \$1,214 federal funds. The request includes annual base adjustments, a non-prioritized request from OIT, and the Department's R1, R2, R3, and R7 request items.

RECOMMENDATION: Staff recommends appropriating \$145,565 total funds, including \$57,479 General Fund, \$86,611 cash funds, \$258 reappropriated funds, and \$1,217 federal funds. The recommendation reflects Committee action on compensation common policies and staff

recommendations on the Department's R1, R2, R3, and R7 request items. The Committee decision on the non-prioritized request from OIT is pending. Adjustments are outlined in the following table.

EXECUTIVE DIRECTOR'S OFFICE, ADMINISTRATION AND SUPPORT, SHORT-TERM DISABILITY						
	TOTAL FUNDS	GENERAL FUND	CASH FUNDS	REAPPROPRIATED FUNDS	FEDERAL FUNDS	FTE
FY 2018-19 APPROPRIATION						
HB 18-1322 (Long Bill)	\$137,500	\$56,646	\$80,688	\$166	\$0	0.0
TOTAL	\$137,500	\$56,646	\$80,688	\$166	\$0	0.0
FY 2019-20 RECOMMENDED APPROPRIATION						
FY 2018-19 Appropriation	\$137,500	\$56,646	\$80,688	\$166	\$0	0.0
Centrally appropriated line items	6,660	(1,360)	6,711	92	1,217	0.0
R2 Sales and Use Tax Collection	1,276	1,276	0	0	0	0.0
R7 Marijuana Enforcement Division Operations	1,189	0	1,189	0	0	0.0
R1 GenTax Support Enhancements	917	917	0	0	0	0.0
Non-prioritized requests	(1,771)	0	(1,771)	0	0	0.0
R3 Lottery Back Office Restructure	(206)	0	(206)	0	0	0.0
TOTAL	\$145,565	\$57,479	\$86,611	\$258	\$1,217	0.0
INCREASE/(DECREASE)	\$8,065	\$833	\$5,923	\$92	\$1,217	0.0
Percentage Change	5.9%	1.5%	7.3%	55.4%	0.0%	0.0%
FY 2019-20 EXECUTIVE REQUEST	\$145,098	\$57,201	\$86,426	\$257	\$1,214	0.0
Request Above/(Below) Recommendation	(\$467)	(\$278)	(\$185)	(\$1)	(\$3)	0.0

S.B. 04-257 AMORTIZATION EQUALIZATION DISBURSEMENT

This line item provides funding for an amortization payment to increase the funded status of the Public Employees' Retirement Association (PERA).

STATUTORY AUTHORITY: Section 24-51-411, C.R.S.

REQUEST: The Department requests an appropriation of \$4,299,101 total funds, including \$1,690,877 General Fund, \$2,564,649 cash funds, \$7,628 reappropriated funds, and \$35,947 federal funds. The request includes annual base adjustments, a non-prioritized request from OIT, and the Department's R1, R2, R3, and R7 request items.

RECOMMENDATION: Staff recommends appropriating \$4,313,217 total funds, including \$1,695,426 General Fund, \$2,574,114 cash funds, \$7,631 reappropriated funds, and \$36,046 federal funds. The recommendation reflects Committee action on compensation common policies and staff recommendations on the Department's R1, R2, R3, and R7 request items. The Committee decision on the non-prioritized request from OIT is pending. Adjustments are outlined in the following table.

EXECUTIVE DIRECTOR'S OFFICE, ADMINISTRATION AND SUPPORT, S.B. 04-257 AMORTIZATION EQUALIZATION DISBURSEMENT						
	TOTAL FUNDS	GENERAL FUND	CASH FUNDS	REAPPROPRIATED FUNDS	FEDERAL FUNDS	FTE
FY 2018-19 APPROPRIATION						
HB 18-1322 (Long Bill)	\$4,042,418	\$1,666,122	\$2,371,409	\$4,887	\$0	0.0
TOTAL	\$4,042,418	\$1,666,122	\$2,371,409	\$4,887	\$0	0.0

EXECUTIVE DIRECTOR'S OFFICE, ADMINISTRATION AND SUPPORT, S.B. 04-257 AMORTIZATION EQUALIZATION DISBURSEMENT						
	TOTAL FUNDS	GENERAL FUND	CASH FUNDS	REAPPROPRIATED FUNDS	FEDERAL FUNDS	FTE
FY 2019-20 RECOMMENDED APPROPRIATION						
FY 2018-19 Appropriation	\$4,042,418	\$1,666,122	\$2,371,409	\$4,887	\$0	0.0
Centrally appropriated line items	233,811	(28,415)	223,436	2,744	36,046	0.0
R2 Sales and Use Tax Collection	33,566	33,566	0	0	0	0.0
R7 Marijuana Enforcement Division Operations	31,299	0	31,299	0	0	0.0
R1 GenTax Support Enhancements	24,153	24,153	0	0	0	0.0
Non-prioritized requests	(46,610)	0	(46,610)	0	0	0.0
R3 Lottery Back Office Restructure	(5,420)	0	(5,420)	0	0	0.0
TOTAL	\$4,313,217	\$1,695,426	\$2,574,114	\$7,631	\$36,046	0.0
INCREASE/(DECREASE)	\$270,799	\$29,304	\$202,705	\$2,744	\$36,046	0.0
Percentage Change	6.7%	1.8%	8.5%	56.1%	0.0%	0.0%
FY 2019-20 EXECUTIVE REQUEST	\$4,299,101	\$1,690,877	\$2,564,649	\$7,628	\$35,947	0.0
Request Above/(Below) Recommendation	(\$14,116)	(\$4,549)	(\$9,465)	(\$3)	(\$99)	0.0

S.B. 06-235 SUPPLEMENTAL AMORTIZATION EQUALIZATION DISBURSEMENT

This line item provides funding for an amortization payment to increase the funded status of the Public Employees' Retirement Association (PERA).

STATUTORY AUTHORITY: Section 24-51-411, C.R.S.

REQUEST: The Department requests an appropriation of \$4,299,101 total funds, including \$1,690,877 General Fund, \$2,564,649 cash funds, \$7,628 reappropriated funds, and \$35,947 federal funds. The request includes annual base adjustments, a non-prioritized request from OIT, and the Department's R1, R2, R3, and R7 request items.

RECOMMENDATION: Staff recommends appropriating \$4,313,217 total funds, including \$1,695,426 General Fund, \$2,574,114 cash funds, \$7,631 reappropriated funds, and \$36,046 federal funds. The recommendation reflects Committee action on compensation common policies and staff recommendations on the Department's R1, R2, R3, and R7 request items. The Committee decision on the non-prioritized request from OIT is pending. Adjustments are outlined in the following table.

EXECUTIVE DIRECTOR'S OFFICE, ADMINISTRATION AND SUPPORT, S.B. 06-235 SUPPLEMENTAL AMORTIZATION EQUALIZATION DISBURSEMENT						
	TOTAL FUNDS	GENERAL FUND	CASH FUNDS	REAPPROPRIATED FUNDS	FEDERAL FUNDS	FTE
FY 2018-19 APPROPRIATION						
HB 18-1322 (Long Bill)	\$4,042,418	\$1,666,122	\$2,371,409	\$4,887	\$0	0.0
TOTAL	\$4,042,418	\$1,666,122	\$2,371,409	\$4,887	\$0	0.0
FY 2019-20 RECOMMENDED APPROPRIATION						
FY 2018-19 Appropriation	\$4,042,418	\$1,666,122	\$2,371,409	\$4,887	\$0	0.0
Centrally appropriated line items	233,811	(28,415)	223,436	2,744	36,046	0.0
R2 Sales and Use Tax Collection	33,566	33,566	0	0	0	0.0
R7 Marijuana Enforcement Division Operations	31,299	0	31,299	0	0	0.0

EXECUTIVE DIRECTOR'S OFFICE, ADMINISTRATION AND SUPPORT, S.B. 06-235 SUPPLEMENTAL AMORTIZATION EQUALIZATION DISBURSEMENT						
	TOTAL FUNDS	GENERAL FUND	CASH FUNDS	REAPPROPRIATED FUNDS	FEDERAL FUNDS	FTE
R1 GenTax Support Enhancements	24,153	24,153	0	0	0	0.0
Non-prioritized requests	(46,610)	0	(46,610)	0	0	0.0
R3 Lottery Back Office Restructure	(5,420)	0	(5,420)	0	0	0.0
TOTAL	\$4,313,217	\$1,695,426	\$2,574,114	\$7,631	\$36,046	0.0
INCREASE/(DECREASE)	\$270,799	\$29,304	\$202,705	\$2,744	\$36,046	0.0
Percentage Change	6.7%	1.8%	8.5%	56.1%	0.0%	0.0%
FY 2019-20 EXECUTIVE REQUEST	\$4,299,101	\$1,690,877	\$2,564,649	\$7,628	\$35,947	0.0
Request Above/(Below) Recommendation	(\$14,116)	(\$4,549)	(\$9,465)	(\$3)	(\$99)	0.0

PERA DIRECT DISTRIBUTION

This line item is included as a common policy allocation payment for the state portion of the PERA Direct Distribution created in Section 24-51-414, C.R.S., enacted in S.B. 18-200.

STATUTORY AUTHORITY: Section 24-51-414, (2) C.R.S.

REQUEST: The Department requests an appropriation of \$2,218,687 total funds, including \$850,875 General Fund, \$1,345,119 cash funds, \$3,965 reappropriated funds, and \$18,728 federal funds.

RECOMMENDATION: Staff recommends appropriating \$2,218,686 total funds, including \$849,711 General Fund, \$1,346,314 cash funds, \$3,959 reappropriated funds, and \$18,702 federal funds. The recommendation reflects Committee action on compensation common policies.

EXECUTIVE DIRECTOR'S OFFICE, ADMINISTRATION AND SUPPORT, PERA DIRECT DISTRIBUTION						
	TOTAL FUNDS	GENERAL FUND	CASH FUNDS	REAPPROPRIATED FUNDS	FEDERAL FUNDS	FTE
FY 2018-19 APPROPRIATION						
HB 18-1322 (Long Bill)	\$0	\$0	\$0	\$0	\$0	0.0
TOTAL	\$0	\$0	\$0	\$0	\$0	0.0
FY 2019-20 RECOMMENDED APPROPRIATION						
FY 2018-19 Appropriation	\$0	\$0	\$0	\$0	\$0	0.0
PERA Direct Distribution common policy allocation	\$2,218,686	\$849,711	\$1,346,314	\$3,959	\$18,702	0.0
TOTAL	\$2,218,686	\$849,711	\$1,346,314	\$3,959	\$18,702	0.0
INCREASE/(DECREASE)	\$2,218,686	\$849,711	\$1,346,314	\$3,959	\$18,702	0.0
Percentage Change	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
FY 2019-20 EXECUTIVE REQUEST	\$2,218,687	\$850,875	\$1,345,119	\$3,965	\$18,728	0.0
Request Above/(Below) Recommendation	\$1	\$1,164	(\$1,195)	\$6	\$26	0.0

SALARY SURVEY

This line item funds salary increases. Salary survey increases may include across-the-board increases, movement to minimum related to salary range adjustments, and specified classification increases.

STATUTORY AUTHORITY: Section 24-50-104, C.R.S.

REQUEST: The Department requests an appropriation of \$2,578,134 total funds, including \$1,060,426 General Fund, \$1,491,541 cash funds, \$4,903 reappropriated funds, and \$21,264 federal funds.

RECOMMENDATION: Staff recommends appropriating \$2,798,869 total funds, including \$1,067,127 General Fund, \$1,703,284 cash funds, \$4,972 reappropriated funds, and \$23,486 federal funds. The recommendation reflects Committee action on compensation common policies.

EXECUTIVE DIRECTOR'S OFFICE, ADMINISTRATION AND SUPPORT, SALARY SURVEY						
	TOTAL FUNDS	GENERAL FUND	CASH FUNDS	REAPPROPRIATED FUNDS	FEDERAL FUNDS	FTE
FY 2018-19 APPROPRIATION						
HB 18-1322 (Long Bill)	\$2,582,782	\$1,083,134	\$1,496,461	\$3,187	\$0	0.0
TOTAL	\$2,582,782	\$1,083,134	\$1,496,461	\$3,187	\$0	0.0
FY 2019-20 RECOMMENDED APPROPRIATION						
FY 2018-19 Appropriation	\$2,582,782	\$1,083,134	\$1,496,461	\$3,187	\$0	0.0
Centrally appropriated line items	2,798,869	1,067,127	1,703,284	4,972	23,486	0.0
Annualize prior year budget actions	(2,582,782)	(1,083,134)	(1,496,461)	(3,187)	0	0.0
TOTAL	\$2,798,869	\$1,067,127	\$1,703,284	\$4,972	\$23,486	0.0
INCREASE/(DECREASE)	\$216,087	(\$16,007)	\$206,823	\$1,785	\$23,486	0.0
Percentage Change	8.4%	(1.5%)	13.8%	56.0%	0.0%	0.0%
FY 2019-20 EXECUTIVE REQUEST	\$2,578,134	\$1,060,426	\$1,491,541	\$4,903	\$21,264	0.0
Request Above/(Below) Recommendation	(\$220,735)	(\$6,701)	(\$211,743)	(\$69)	(\$2,222)	0.0

PARENTAL LEAVE

This line item would provide funding to cover the cost to backfill critical positions for a leave policy that would provide eight weeks of paid leave for birth, adoption, or foster placement for new-parent employees.

STATUTORY AUTHORITY: None.

REQUEST: The Department requests an appropriation of \$80,583 cash funds.

RECOMMENDATION: The staff recommendation is **pending** the Committee common policy decision for this line item.

SHIFT DIFFERENTIAL

This line item pays for the incremental costs associated with higher compensation rates for employees who work beyond regular working hours.

STATUTORY AUTHORITY: Section 24-50-104, C.R.S.

REQUEST: The Department requests an appropriation of \$114,683 cash funds. The request includes an adjustment for an appropriation equal to the FY 2017-18 actual expenditure for this line item.

RECOMMENDATION: Staff recommends appropriating \$114,683 cash funds. The recommendation reflects Committee action on compensation common policies. Adjustments are outlined in the following table.

EXECUTIVE DIRECTOR'S OFFICE, ADMINISTRATION AND SUPPORT, SHIFT DIFFERENTIAL						
	TOTAL FUNDS	GENERAL FUND	CASH FUNDS	REAPPROPRIATED FUNDS	FEDERAL FUNDS	FTE
FY 2018-19 APPROPRIATION						
HB 18-1322 (Long Bill)	\$126,584	\$0	\$126,584	\$0	\$0	0.0
TOTAL	\$126,584	\$0	\$126,584	\$0	\$0	0.0
FY 2019-20 RECOMMENDED APPROPRIATION						
FY 2018-19 Appropriation	\$126,584	\$0	\$126,584	\$0	\$0	0.0
Centrally appropriated line items	(11,971)	0	(11,971)	0	0	0.0
TOTAL	\$114,613	\$0	\$114,613	\$0	\$0	0.0
INCREASE/(DECREASE)	(\$11,971)	\$0	(\$11,971)	\$0	\$0	0.0
Percentage Change	(9.5%)	0.0%	(9.5%)	0.0%	0.0%	0.0%
FY 2019-20 EXECUTIVE REQUEST	\$114,613	\$0	\$114,613	\$0	\$0	0.0
Request Above/(Below) Recommendation	\$0	\$0	\$0	\$0	\$0	0.0

WORKERS' COMPENSATION

This line item is used to pay the Department's estimated share for inclusion in the State's worker's compensation program for state employees.

STATUTORY AUTHORITY: Section 24-30-150.7, C.R.S.

REQUEST: The Department requests an appropriation of \$939,970 total funds, including \$364,681 General Fund, and \$575,289 cash funds.

RECOMMENDATION: Staff recommends appropriating \$939,970 total funds, including \$364,681 General Fund, and \$575,289 cash funds. The recommendation reflects Committee action on operating common policies. Adjustments are outlined in the following table.

EXECUTIVE DIRECTOR'S OFFICE, ADMINISTRATION AND SUPPORT, WORKERS' COMPENSATION						
	TOTAL FUNDS	GENERAL FUND	CASH FUNDS	REAPPROPRIATED FUNDS	FEDERAL FUNDS	FTE
FY 2018-19 APPROPRIATION						
HB 18-1322 (Long Bill)	\$1,085,724	\$430,129	\$655,595	\$0	\$0	0.0
TOTAL	\$1,085,724	\$430,129	\$655,595	\$0	\$0	0.0
FY 2019-20 RECOMMENDED APPROPRIATION						
FY 2018-19 Appropriation	\$1,085,724	\$430,129	\$655,595	\$0	\$0	0.0
Centrally appropriated line items	(145,754)	(65,448)	(80,306)	0	0	0.0
TOTAL	\$939,970	\$364,681	\$575,289	\$0	\$0	0.0

EXECUTIVE DIRECTOR'S OFFICE, ADMINISTRATION AND SUPPORT, WORKERS' COMPENSATION						
	TOTAL FUNDS	GENERAL FUND	CASH FUNDS	REAPPROPRIATED FUNDS	FEDERAL FUNDS	FTE
INCREASE/(DECREASE)	(\$145,754)	(\$65,448)	(\$80,306)	\$0	\$0	0.0
Percentage Change	(13.4%)	(15.2%)	(12.2%)	0.0%	0.0%	0.0%
FY 2019-20 EXECUTIVE REQUEST	\$939,970	\$364,681	\$575,289	\$0	\$0	0.0
Request Above/(Below) Recommendation	\$0	\$0	\$0	\$0	\$0	0.0

OPERATING EXPENSES

This line item funds operating expenses for the Executive Director's Office, including office supplies and materials, telecommunications, travel, training, printing, variable vehicle expenses including maintenance, fuel and insurance for the Department's assigned fleet vehicles, information technology updates and equipment maintenance and replacement, and capital outlay.

STATUTORY AUTHORITY: Section 24-35-105, C.R.S.

REQUEST: The Department requests an appropriation of \$2,315,983 total funds, including \$1,597,333 General Fund and \$718,650 cash funds. The request includes annualization adjustments for the FY 2018-19 DRIVES production support request and three bills (S.B. 18-141 and H.B. 18-1339) and the Department's R1 request item.

RECOMMENDATION: Staff recommends appropriating \$2,323,111 total funds, including \$1,604,461 General Fund and \$718,650 cash funds. The recommendation includes the annualization adjustments to the base appropriation and reflects staff's recommendation on the Department's R1 request item. Adjustments are outlined in the following table.

EXECUTIVE DIRECTOR'S OFFICE, ADMINISTRATION AND SUPPORT, OPERATING EXPENSES						
	TOTAL FUNDS	GENERAL FUND	CASH FUNDS	REAPPROPRIATED FUNDS	FEDERAL FUNDS	FTE
FY 2018-19 APPROPRIATION						
HB 18-1322 (Long Bill)	\$2,277,404	\$1,557,425	\$719,979	\$0	\$0	0.0
Other legislation	\$41,580	\$41,580	\$0	\$0	\$0	0.0
TOTAL	\$2,318,984	\$1,599,005	\$719,979	\$0	\$0	0.0
FY 2019-20 RECOMMENDED APPROPRIATION						
FY 2018-19 Appropriation	\$2,318,984	\$1,599,005	\$719,979	\$0	\$0	0.0
R1 GenTax Support Enhancements	41,046	41,046	0	0	0	0.0
Annualize prior year legislation	(34,459)	(35,590)	1,131	0	0	0.0
Annualize prior year budget actions	(2,460)	0	(2,460)	0	0	0.0
TOTAL	\$2,323,111	\$1,604,461	\$718,650	\$0	\$0	0.0
INCREASE/(DECREASE)	\$4,127	\$5,456	(\$1,329)	\$0	\$0	0.0
Percentage Change	0.2%	0.3%	(0.2%)	0.0%	0.0%	0.0%
FY 2019-20 EXECUTIVE REQUEST	\$2,315,983	\$1,597,333	\$718,650	\$0	\$0	0.0
Request Above/(Below) Recommendation	(\$7,128)	(\$7,128)	\$0	\$0	\$0	0.0

POSTAGE

Due to the volume of mail that it handles, the Department operates its own mail center. The Department mails a wide variety of items to taxpayers and licensees, including tax forms, motor vehicle titles, driver license renewal applications, reminders, bill, refund warrants, inquiries, licenses, hearing notices, tax booklets, and other miscellaneous documents. This line item was added in FY 2014-15.

STATUTORY AUTHORITY: Section 24-35-105, C.R.S.

REQUEST: The Department requests an appropriation of \$3,191,165 total funds, including \$2,848,606 General Fund and \$342,559 cash funds. The request includes annualization adjustments for S.B. 17-267 and S.B. 19-123, a non-prioritized request from the Department of Personnel for the printing and mailing for counties participating in DRIVES request item, and the Department's R4 request item.

RECOMMENDATION: Staff recommends appropriating \$3,191,165 total funds, including \$2,848,606 General Fund and \$342,559 cash funds. The recommendation includes the annualization adjustments to the base appropriation and reflects staff's recommendation on the Department's R4 request item. The non-prioritized request is pending. Staff requests permission to adjust the appropriation as necessary based on the Committee's decision for the non-prioritized adjustment. Adjustments are outlined in the following table.

EXECUTIVE DIRECTOR'S OFFICE, ADMINISTRATION AND SUPPORT, POSTAGE						
	TOTAL FUNDS	GENERAL FUND	CASH FUNDS	REAPPROPRIATED FUNDS	FEDERAL FUNDS	FTE
FY 2018-19 APPROPRIATION						
HB 18-1322 (Long Bill)	\$3,051,455	\$2,840,891	\$210,564	\$0	\$0	0.0
SB 19-123 (Supplemental)	\$81,926	\$0	\$81,926	\$0	\$0	0.0
TOTAL	\$3,133,381	\$2,840,891	\$292,490	\$0	\$0	0.0
FY 2019-20 RECOMMENDED APPROPRIATION						
FY 2018-19 Appropriation	\$3,133,381	\$2,840,891	\$292,490	\$0	\$0	0.0
R4 Drivers License Documents	105,000	0	105,000	0	0	0.0
Non-prioritized requests	26,995	0	26,995	0	0	0.0
Annualize prior year legislation	(74,211)	7,715	(81,926)	0	0	0.0
TOTAL	\$3,191,165	\$2,848,606	\$342,559	\$0	\$0	0.0
INCREASE/(DECREASE)	\$57,784	\$7,715	\$50,069	\$0	\$0	0.0
Percentage Change	1.8%	0.3%	17.1%	0.0%	0.0%	0.0%
FY 2019-20 EXECUTIVE REQUEST	\$3,191,165	\$2,848,606	\$342,559	\$0	\$0	0.0
Request Above/(Below) Recommendation	\$0	\$0	\$0	\$0	\$0	0.0

LEGAL SERVICES

This line item provides funding for the Department to purchase legal services from the Department of Law.

STATUTORY AUTHORITY: Section 24-31-101, C.R.S.

REQUEST: The Department requests an appropriation of \$5,420,181 total funds, including \$3,287,468 General Fund and \$2,132,713 cash funds.

RECOMMENDATION The staff recommendation is **pending** the Committee common policy decision for this line item.

ADMINISTRATIVE LAW JUDGE SERVICES

This line item provides funding for the Department to purchase Administrative Law Judge services from the Office of Administrative Courts in the Department of Personnel.

STATUTORY AUTHORITY: Sections 24-30-1001 (3) and 24-30-1002, C.R.S.

REQUEST: The Department requests an appropriation of \$2,099 cash funds.

RECOMMENDATION: Staff recommends appropriating \$2,099 cash funds. The recommendation reflects Committee action on operating common policies. Adjustments are outlined in the following table.

EXECUTIVE DIRECTOR'S OFFICE, ADMINISTRATION AND SUPPORT, ADMINISTRATIVE LAW JUDGE SERVICES						
	TOTAL FUNDS	GENERAL FUND	CASH FUNDS	REAPPROPRIATED FUNDS	FEDERAL FUNDS	FTE
FY 2018-19 APPROPRIATION						
HB 18-1322 (Long Bill)	\$4,158	\$0	\$4,158	\$0	\$0	0.0
TOTAL	\$4,158	\$0	\$4,158	\$0	\$0	0.0
FY 2019-20 RECOMMENDED APPROPRIATION						
FY 2018-19 Appropriation	\$4,158	\$0	\$4,158	\$0	\$0	0.0
Centrally appropriated line items	(2,059)	0	(2,059)	0	0	0.0
TOTAL	\$2,099	\$0	\$2,099	\$0	\$0	0.0
INCREASE/(DECREASE)	(\$2,059)	\$0	(\$2,059)	\$0	\$0	0.0
Percentage Change	(49.5%)	0.0%	(49.5%)	0.0%	0.0%	0.0%
FY 2019-20 EXECUTIVE REQUEST						
Request Above/(Below) Recommendation	\$0	\$0	\$0	\$0	\$0	0.0

PAYMENT TO RISK MANAGEMENT AND PROPERTY FUNDS

This line item provides funding for the Department's share of liability and property insurance from Risk Management in the Department of Personnel.

STATUTORY AUTHORITY: Section 24-30-1510 and 24-30-1510.5, C.R.S.

REQUEST: The Department requests an appropriation of \$311,696 total funds including \$120,931 General Fund and \$190,765 cash funds.

RECOMMENDATION: Staff recommends appropriating \$310,447 total funds including \$120,609 General Fund and \$189,838 cash funds. The recommendation reflects Committee action on operating common policies. Adjustments are outlined in the following table.

EXECUTIVE DIRECTOR'S OFFICE, ADMINISTRATION AND SUPPORT, PAYMENT TO RISK MANAGEMENT AND PROPERTY FUNDS						
	TOTAL FUNDS	GENERAL FUND	CASH FUNDS	REAPPROPRIATED FUNDS	FEDERAL FUNDS	FTE
FY 2018-19 APPROPRIATION						
HB 18-1322 (Long Bill)	\$293,248	\$116,175	\$177,073	\$0	\$0	0.0
TOTAL	\$293,248	\$116,175	\$177,073	\$0	\$0	0.0
FY 2019-20 RECOMMENDED APPROPRIATION						
FY 2018-19 Appropriation	\$293,248	\$116,175	\$177,073	\$0	\$0	0.0
Centrally appropriated line items	17,199	4,434	12,765	0	0	0.0
TOTAL	\$310,447	\$120,609	\$189,838	\$0	\$0	0.0
INCREASE/(DECREASE)	\$17,199	\$4,434	\$12,765	\$0	\$0	0.0
Percentage Change	5.9%	3.8%	7.2%	0.0%	0.0%	0.0%
FY 2019-20 EXECUTIVE REQUEST	\$311,696	\$120,931	\$190,765	\$0	\$0	0.0
Request Above/(Below) Recommendation	\$1,249	\$322	\$927	\$0	\$0	0.0

VEHICLE LEASE PAYMENTS

This line item provides funding for payments to Fleet Management in the Department of Personnel for the cost of lease-purchase payments for Department vehicles.

STATUTORY AUTHORITY: Section 24-30-1104 (2), C.R.S.

REQUEST: The Department requests an appropriation of \$660,767 total funds, including \$162,795 General Fund and \$497,972 cash funds. The request includes four additional vehicles included in the Department's R7 request item.

RECOMMENDATION: The base appropriation adjustment is **pending** the Committee common policy decision for this line item. Staff's recommendation includes approval of the Department's R7 request for four additional vehicles. Recommended and requested adjustments are outlined in the following table.

EXECUTIVE DIRECTOR'S OFFICE, ADMINISTRATION AND SUPPORT, VEHICLE LEASE PAYMENTS						
	TOTAL FUNDS	GENERAL FUND	CASH FUNDS	REAPPROPRIATED FUNDS	FEDERAL FUNDS	FTE
FY 2018-19 APPROPRIATION						
HB 18-1322 (Long Bill)	\$669,802	\$168,466	\$501,336	\$0	\$0	0.0
TOTAL	\$669,802	\$168,466	\$501,336	\$0	\$0	0.0
FY 2019-20 RECOMMENDED APPROPRIATION						
FY 2018-19 Appropriation	\$669,802	\$168,466	\$501,336	\$0	\$0	0.0
R7 Marijuana Enforcement Division Operations	13,650	0	13,650	0	0	0.0
Centrally appropriated line items	(22,685)	(5,671)	(17,014)	0	0	0.0

EXECUTIVE DIRECTOR'S OFFICE, ADMINISTRATION AND SUPPORT, VEHICLE LEASE PAYMENTS						
	TOTAL FUNDS	GENERAL FUND	CASH FUNDS	REAPPROPRIATED FUNDS	FEDERAL FUNDS	FTE
TOTAL	\$660,767	\$162,795	\$497,972	\$0	\$0	0.0
INCREASE/(DECREASE)	(\$9,035)	(\$5,671)	(\$3,364)	\$0	\$0	0.0
Percentage Change	(1.3%)	(3.4%)	(0.7%)	0.0%	0.0%	0.0%
FY 2019-20 EXECUTIVE REQUEST	\$660,767	\$162,795	\$497,972	\$0	\$0	0.0
Request Above/(Below) Recommendation	\$0	\$0	\$0	\$0	\$0	0.0

LEASED SPACE

This line item funds leasing costs for more than 80 office locations throughout the state, mostly for Driver's License Offices and State Lottery Offices.

STATUTORY AUTHORITY: Section 24-35-105, C.R.S.

REQUEST: The Department requests an appropriation of \$8,145,860 total funds, including \$1,139,228 General Fund and \$7,006,632 cash funds. The request includes an annualization adjustment for H.B. 18-1185, a technical adjustment for a lease contract escalator, and adjustments for the Department's R1, R2, R5, and R7 request items.

RECOMMENDATION: Staff recommends appropriating \$7,994,060 total funds, including \$987,428 General Fund and \$7,006,632 cash funds. The recommendation includes the annualization and technical adjustments to the base appropriation and reflects staff's recommendations on the Department's R1, R2, R5, and R7 request items. Adjustments are outlined in the following table.

EXECUTIVE DIRECTOR'S OFFICE, ADMINISTRATION AND SUPPORT, LEASED SPACE						
	TOTAL FUNDS	GENERAL FUND	CASH FUNDS	REAPPROPRIATED FUNDS	FEDERAL FUNDS	FTE
FY 2018-19 APPROPRIATION						
HB 18-1322 (Long Bill)	\$5,238,528	\$835,024	\$4,403,504	\$0	\$0	0.0
TOTAL	\$5,238,528	\$835,024	\$4,403,504	\$0	\$0	0.0
FY 2019-20 RECOMMENDED APPROPRIATION						
FY 2018-19 Appropriation	\$5,238,528	\$835,024	\$4,403,504	\$0	\$0	0.0
R5 Division of Motor Vehicles Leased Space	2,351,109	0	2,351,109	0	0	0.0
Centrally appropriated line items	224,063	20,044	204,019	0	0	0.0
R2 Sales and Use Tax Collection	69,960	69,960	0	0	0	0.0
R7 Marijuana Enforcement Division Operations	48,000	0	48,000	0	0	0.0
R1 GenTax Support Enhancements	46,200	46,200	0	0	0	0.0
Annualize prior year legislation	16,200	16,200	0	0	0	0.0
TOTAL	\$7,994,060	\$987,428	\$7,006,632	\$0	\$0	0.0
INCREASE/(DECREASE)	\$2,755,532	\$152,404	\$2,603,128	\$0	\$0	0.0
Percentage Change	52.6%	18.3%	59.1%	0.0%	0.0%	0.0%
FY 2019-20 EXECUTIVE REQUEST	\$8,145,860	\$1,139,228	\$7,006,632	\$0	\$0	0.0
Request Above/(Below) Recommendation	\$151,800	\$151,800	\$0	\$0	\$0	0.0

CAPITOL COMPLEX LEASED SPACE

This line item pays for the Department's share of costs for space in the Department of Personnel's, Capitol Complex property management program.

STATUTORY AUTHORITY: Section 24-30-1104 (4), C.R.S.

REQUEST: The Department requests an appropriation of \$2,106,943 total funds, including \$1,454,393 General Fund and \$652,550 cash funds.

RECOMMENDATION: Staff recommends appropriating \$2,156,289 total funds including \$1,497,525 General Fund and \$658,764 cash funds. The recommendation reflects Committee action on operating common policies. Adjustments are outlined in the following table.

EXECUTIVE DIRECTOR'S OFFICE, ADMINISTRATION AND SUPPORT, CAPITOL COMPLEX LEASED SPACE						
	TOTAL FUNDS	GENERAL FUND	CASH FUNDS	REAPPROPRIATED FUNDS	FEDERAL FUNDS	FTE
FY 2018-19 APPROPRIATION						
HB 18-1322 (Long Bill)	\$2,330,327	\$1,649,646	\$680,681	\$0	\$0	0.0
TOTAL	\$2,330,327	\$1,649,646	\$680,681	\$0	\$0	0.0
FY 2019-20 RECOMMENDED APPROPRIATION						
FY 2018-19 Appropriation	\$2,330,327	\$1,649,646	\$680,681	\$0	\$0	0.0
Centrally appropriated line items	(174,038)	(152,121)	(21,917)	0	0	0.0
TOTAL	\$2,156,289	\$1,497,525	\$658,764	\$0	\$0	0.0
INCREASE/(DECREASE)	(\$174,038)	(\$152,121)	(\$21,917)	\$0	\$0	0.0
Percentage Change	(7.5%)	(9.2%)	(3.2%)	0.0%	0.0%	0.0%
FY 2019-20 EXECUTIVE REQUEST	\$2,106,943	\$1,454,393	\$652,550	\$0	\$0	0.0
Request Above/(Below) Recommendation	(\$49,346)	(\$43,132)	(\$6,214)	\$0	\$0	0.0

PAYMENTS TO OIT

This line item represents payments to the Governor's Office of Information Technology for information technology services.

STATUTORY AUTHORITY: Section 24-37.5-104, C.R.S.

REQUEST: The Department requests an appropriation of \$14,834,268 total funds, including \$9,932,694 General Fund and \$4,901,574 cash funds. The request includes: OIT base adjustment requests; OIT non-prioritized requests; an annualization adjustment for the FY 2018-19 DRIVES production support request item; and the Department's R1 request item.

STAFF RECOMMENDATION: The base appropriation adjustment is **pending** the Committee common policy decision for this line item. The non-prioritized requests are similarly pending. Staff will include adjustments as decided by the Committee. Staff's recommendation includes the appropriation adjustment for the Department's R1 request item. Recommended and requested adjustments are outlined in the following table.

EXECUTIVE DIRECTOR'S OFFICE, ADMINISTRATION AND SUPPORT, PAYMENTS TO OIT						
	TOTAL FUNDS	GENERAL FUND	CASH FUNDS	REAPPROPRIATED FUNDS	FEDERAL FUNDS	FTE
FY 2018-19 APPROPRIATION						
HB 18-1322 (Long Bill)	\$15,778,342	\$10,372,670	\$5,405,672	\$0	\$0	0.0
Other legislation	\$20,646	\$16,016	\$4,630	\$0	\$0	0.0
TOTAL	\$15,798,988	\$10,388,686	\$5,410,302	\$0	\$0	0.0
FY 2019-20 RECOMMENDED APPROPRIATION						
FY 2018-19 Appropriation	\$15,798,988	\$10,388,686	\$5,410,302	\$0	\$0	0.0
Non-prioritized requests	1,961,521	274,857	1,686,664	0	0	0.0
R1 GenTax Support Enhancements	681,477	681,477	0	0	0	0.0
Annualize prior year budget actions	32,585	0	32,585	0	0	0.0
Centrally appropriated line items	(3,640,303)	(1,412,326)	(2,227,977)	0	0	0.0
TOTAL	\$14,834,268	\$9,932,694	\$4,901,574	\$0	\$0	0.0
INCREASE/(DECREASE)	(\$964,720)	(\$455,992)	(\$508,728)	\$0	\$0	0.0
Percentage Change	(6.1%)	(4.4%)	(9.4%)	0.0%	0.0%	0.0%
FY 2019-20 EXECUTIVE REQUEST	\$14,834,268	\$9,932,694	\$4,901,574	\$0	\$0	0.0
Request Above/(Below) Recommendation	\$0	\$0	\$0	\$0	\$0	0.0

CORE OPERATIONS

This line item provides funds for the Department's share of the operational costs of Colorado Operations Resource Engine (CORE), the statewide accounting system.

STATUTORY AUTHORITY: Section 24-30-209, C.R.S.

REQUEST: The Department requests an appropriation of \$831,281 total funds, including \$322,513 General Fund and \$508,768 cash funds.

RECOMMENDATION: Staff recommends appropriating \$783,059 total funds including \$298,793 General Fund and \$484,266 cash funds. The recommendation reflects Committee action on operating common policies. Adjustments are outlined in the following table.

EXECUTIVE DIRECTOR'S OFFICE, ADMINISTRATION AND SUPPORT, CORE OPERATIONS						
	TOTAL FUNDS	GENERAL FUND	CASH FUNDS	REAPPROPRIATED FUNDS	FEDERAL FUNDS	FTE
FY 2018-19 APPROPRIATION						
HB 18-1322 (Long Bill)	\$902,422	\$357,507	\$544,915	\$0	\$0	0.0
TOTAL	\$902,422	\$357,507	\$544,915	\$0	\$0	0.0
FY 2019-20 RECOMMENDED APPROPRIATION						
FY 2018-19 Appropriation	\$902,422	\$357,507	\$544,915	\$0	\$0	0.0
Centrally appropriated line items	(119,363)	(58,714)	(60,649)	0	0	0.0
TOTAL	\$783,059	\$298,793	\$484,266	\$0	\$0	0.0
INCREASE/(DECREASE)	(\$119,363)	(\$58,714)	(\$60,649)	\$0	\$0	0.0
Percentage Change	(13.2%)	(16.4%)	(11.1%)	0.0%	0.0%	0.0%
FY 2019-20 EXECUTIVE REQUEST	\$831,281	\$322,513	\$508,768	\$0	\$0	0.0

EXECUTIVE DIRECTOR'S OFFICE, ADMINISTRATION AND SUPPORT, CORE OPERATIONS						
	TOTAL FUNDS	GENERAL FUND	CASH FUNDS	REAPPROPRIATED FUNDS	FEDERAL FUNDS	FTE
Request Above/(Below) Recommendation	\$48,222	\$23,720	\$24,502	\$0	\$0	0.0

UTILITIES

This line item provides funding to support the cost of utilities at the Department's state-owned facilities that include driver's license offices and gaming offices.

STATUTORY AUTHORITY: Section 24-35-105, C.R.S.

REQUEST: The Department requests a continuation appropriation of \$143,703 cash funds.

RECOMMENDATION: Staff recommends appropriating \$143,703 cash funds.

(B) HEARINGS DIVISION

This division conducts hearings in a variety of areas including driver's license suspensions, revocations, probationary licenses, cancellation or denial of medical and physical disability, habitual traffic offenders, horse and dog racing licenses, and other actions that affect the licensing rights of citizens. The division also provides computer support and data analysis for public awareness programs related to traffic safety. Starting in FY 2016-17 the Hearings Division budget moved from the Enforcement Division to the Executive Director's Office.

PERSONAL SERVICES

This line item pays for the program staff, benefits, and contract services. Typical adjustments that occur each year include annualization of salary increases and performance awards granted in the prior fiscal year and common policy base reductions.

STATUTORY AUTHORITY: Sections 42-2-132, and 12-6-123, C.R.S.

REQUEST: The Department requests an appropriation of \$2,234,729 cash funds and 29.6 FTE. The request includes annualization adjustments for salary survey and S.B. 18-200.

RECOMMENDATION: Staff recommends appropriating \$2,234,729 cash funds and 29.6 FTE. The recommendation includes the annualization adjustments. Adjustments are outlined in the following table.

EXECUTIVE DIRECTOR'S OFFICE, HEARINGS DIVISION, PERSONAL SERVICES						
	TOTAL FUNDS	GENERAL FUND	CASH FUNDS	REAPPROPRIATED FUNDS	FEDERAL FUNDS	FTE
FY 2018-19 APPROPRIATION						
HB 18-1322 (Long Bill)	\$2,227,978	\$0	\$2,227,978	\$0	\$0	29.6
TOTAL	\$2,227,978	\$0	\$2,227,978	\$0	\$0	29.6

EXECUTIVE DIRECTOR'S OFFICE, HEARINGS DIVISION, PERSONAL SERVICES						
	TOTAL FUNDS	GENERAL FUND	CASH FUNDS	REAPPROPRIATED FUNDS	FEDERAL FUNDS	FTE
FY 2019-20 RECOMMENDED APPROPRIATION						
FY 2018-19 Appropriation	\$2,227,978	\$0	\$2,227,978	\$0	\$0	29.6
Annualize prior year legislation	4,826	0	4,826	0	0	0.0
Annualize prior year budget actions	1,925	0	1,925	0	0	0.0
TOTAL	\$2,234,729	\$0	\$2,234,729	\$0	\$0	29.6
INCREASE/(DECREASE)	\$6,751	\$0	\$6,751	\$0	\$0	0.0
Percentage Change	0.3%	0.0%	0.3%	0.0%	0.0%	0.0%
FY 2019-20 EXECUTIVE REQUEST	\$2,234,729	\$0	\$2,234,729	\$0	\$0	29.6
Request Above/(Below) Recommendation	\$0	\$0	\$0	\$0	\$0	0.0

OPERATING EXPENSES

This line item funds operating costs, including telecommunications, general office supplies and printing costs.

STATUTORY AUTHORITY: Sections 42-2-132, 12-6-123, and 24-35-105, C.R.S.

REQUEST: The Department requests a continuation appropriation of \$95,457 cash funds.

RECOMMENDATION: Staff recommends appropriating \$95,457 cash funds.

INDIRECT COST ASSESSMENT

This line item reflects the indirect cost assessment for this program, which is based on the Department and Statewide indirect cost allocation plans. This appropriation reflects administrative support costs for this division provided by the Executive Director's Office and statewide services which are not directly billed. Indirect cost assessments (1) offset General Fund and (2) reflect the full cost of cash-funded programs.

STATUTORY AUTHORITY: Section 24-75-1401, C.R.S.

REQUEST: The Department requests an appropriation of \$188,991 cash funds.

RECOMMENDATION: Staff recommends appropriating \$188,991 cash funds, consistent with the Department's indirect cost plan.

EXECUTIVE DIRECTOR'S OFFICE, HEARINGS DIVISION, INDIRECT COST ASSESSMENT						
	TOTAL FUNDS	GENERAL FUND	CASH FUNDS	REAPPROPRIATED FUNDS	FEDERAL FUNDS	FTE
FY 2018-19 APPROPRIATION						
HB 18-1322 (Long Bill)	\$175,174	\$0	\$175,174	\$0	\$0	0.0
TOTAL	\$175,174	\$0	\$175,174	\$0	\$0	0.0
FY 2019-20 RECOMMENDED APPROPRIATION						
FY 2018-19 Appropriation	\$175,174	\$0	\$175,174	\$0	\$0	0.0

EXECUTIVE DIRECTOR'S OFFICE, HEARINGS DIVISION, INDIRECT COST ASSESSMENT						
	TOTAL FUNDS	GENERAL FUND	CASH FUNDS	REAPPROPRIATED FUNDS	FEDERAL FUNDS	FTE
Indirect cost adjustments	13,817	0	13,817	0	0	0.0
TOTAL	\$188,991	\$0	\$188,991	\$0	\$0	0.0
INCREASE/(DECREASE)	\$13,817	\$0	\$13,817	\$0	\$0	0.0
Percentage Change	7.9%	0.0%	7.9%	0.0%	0.0%	0.0%
FY 2019-20 EXECUTIVE REQUEST	\$188,991	\$0	\$188,991	\$0	\$0	0.0
Request Above/(Below) Recommendation	\$0	\$0	\$0	\$0	\$0	0.0

(2) INFORMATION TECHNOLOGY DIVISION

The Division is responsible for the support and maintenance of the Department systems that are not supported and maintained by the Governor's Office of Information Technology (OIT). These are entirely made up of contract services. The division has two subdivisions, Systems Support, which supports most of the Department's information technology services, and the DMV IT system called the Colorado Driver's license, Record, Identification, and Vehicle Enterprise Solution or DRIVES.

INFORMATION TECHNOLOGY DIVISION				
	TOTAL FUNDS	GENERAL FUND	CASH FUNDS	FTE
FY 2018-19 Appropriation				
HB 18-1322 (Long Bill)	\$4,842,255	\$1,209,976	\$3,632,279	0.0
TOTAL	\$4,842,255	\$1,209,976	\$3,632,279	0.0
FY 2019-20 RECOMMENDED APPROPRIATION				
FY 2018-19 Appropriation	\$4,842,255	\$1,209,976	\$3,632,279	0.0
TOTAL	\$4,842,255	\$1,209,976	\$3,632,279	0.0
Percentage Change	0.0%	0.0%	0.0%	0.0%
FY 2019-20 EXECUTIVE REQUEST	\$4,842,255	\$1,209,976	\$3,632,279	0.0
Request Above/ (Below) Recommendation	\$0	\$0	\$0	0.0

DECISION ITEMS – INFORMATION TECHNOLOGY DIVISION (NONE)

The Department did not submit any decision items for this division.

LINE ITEM DETAIL - INFORMATION TECHNOLOGY DIVISION

(A) SYSTEMS SUPPORT

This unit supports the tax information systems and enforcement systems for licensing, reporting, tax filing, and case management.

PERSONAL SERVICES

This line item pays for contract services. Although this is a personal services line, there are no FTE in the line. The line item pays for contract services to maintain those systems that are not maintained by OIT. This line item also provides funding for appropriations to implement bills passed by the General Assembly that require programming expenses in the Department's information systems including programming services provided by OIT.

STATUTORY AUTHORITY: Section 24-50-101 *et seq.*, C.R.S.

REQUEST: The Department requests a continuation appropriation of \$100,000 General Fund.

RECOMMENDATION: Staff recommends appropriating \$100,000 General Fund.

OPERATING EXPENSES

This line funds information technology related contracts for the Department, telecommunications expenses, general office supplies, and printing costs.

STATUTORY AUTHORITY: Section 24-35-105, C.R.S.

REQUEST: The Department requests a continuation appropriation of \$1,516,490 total funds, including \$1,109,976 General Fund and \$406,514 cash funds.

RECOMMENDATION: Staff recommends appropriating \$1,516,490 total funds, including \$1,109,976 General Fund and \$406,514 cash funds.

(B) DMV IT SYSTEM (DRIVES) SUPPORT

The DRIVES project replaced the legacy driver's license system and the Colorado State Titling and Registration System (CSTARS). CSTARS was the state's centralized database for the distribution of registration taxes between the state, all its counties, and the Highway Users Tax Fund (HUTF). CSTARS was created in 1983 to automate the distribution of vehicle registration taxes. CSTARS enabled Colorado's 64 county clerks' offices to issue more than 2 million vehicle titles and 4.3 million vehicle registrations every year. The appropriations fund hardware, software, and technical support to maintain the system and ensure adequate access for the county clerks.

In FY 2019-20, the Colorado DRIVES Vehicle Services Account in the Highway Users Tax Fund will replace the Colorado State Titling and Registration Account in the Highway Users Tax Fund, pursuant to Section 42-1-211 (2), C.R.S. Sources of Revenue include a share of fees and taxes for titling and registering motor vehicles; for titling manufactured homes; and for the sale of some special license plates.

Historically, this subdivision exclusively reflected the costs shared by the counties and the state. With the elimination of CSTARS and its cash fund, and with the implementation of the DRIVES system and its cash funds, it is anticipated that this subdivision will be eliminated and its remaining purposes transitioned into the Division of Motor Vehicles. The personal services line item was eliminated in FY 2018-19.

OPERATING EXPENSES

This line item funds information technology related contracts for the Department as they relate specifically to the Colorado State Titling and Registration System. This appropriation is primarily managed by the Department's OIT liaison and used for vendor-managed services for county equipment maintenance, building equipment maintenance at the Pierce and Capitol Annex buildings, renewals for software and hardware maintenance, and related supplies and administrative expenses. These expenses are not duplicative of the DRIVES system costs requested in the Division of Motor Vehicles. Other costs include telecommunications expenses, general office supplies, and printing expenses.

STATUTORY AUTHORITY: Sections 42-1-211 and 24-35-105, C.R.S.

REQUEST: The Department requests a continuation appropriation of \$2,617,535 cash funds.

RECOMMENDATION: Staff recommends appropriating \$2,617,535 cash funds.

COUNTY OFFICE ASSET MAINTENANCE

This line item provides funding for replacement of infrastructure every four years (the OIT standard for replacement of this type of equipment is every three years).

STATUTORY AUTHORITY: Section 42-1-211, C.R.S.

REQUEST: The Department requests a continuation appropriation of \$568,230 cash funds.

RECOMMENDATION: Staff recommends appropriating \$568,230 cash funds.

COUNTY OFFICE IMPROVEMENTS

This line item provides funding for improvements to and expansion of county offices to provide services related to CSTARS or DRIVES. Counties are required by statute (Section 42-1-210, C.R.S.) to provide motor vehicle title and registration services in a manner that is convenient and easily accessible to the public. The State (Department of Revenue) is required to provide necessary data processing equipment, software, support, and training to support the counties (Section 42-1-211, C.R.S.) The line item was established to provide for a stable appropriation to fund the expansion and improvements to the CSTAR system. Funding requests for this line item are based on approval from the CSTARS Advisory Committee or the Colorado DRIVES County Governance Committee (Section 42-1-211 (4), C.R.S.), which receives and prioritizes requests from the counties for funding the expansions and improvements in county offices.

STATUTORY AUTHORITY: Section 42-1-211, C.R.S.

REQUEST: The Department requests a continuation appropriation of \$40,000 cash funds.

RECOMMENDATION: Staff recommends appropriating \$40,000 cash funds.

(3) TAXATION BUSINESS GROUP

The Taxation Business Group is charged with the collection, administration, audit, and enforcement responsibilities pertaining to all taxes, fees, bonds, and licenses covered under Colorado's tax laws. The business group is directed by an administrative section. Senior management, policy-making, and budgetary support for the division are contained in this section. This division is primarily funded with General Fund, but does receive some funding from the Highway Users Tax Fund (HUTF) and federal programs.

TAXATION BUSINESS GROUP						
	TOTAL FUNDS	GENERAL FUND	CASH FUNDS	REAPPROPRIATED FUNDS	FEDERAL FUNDS	FTE
FY 2018-19 Appropriation						
HB 18-1322 (Long Bill)	\$77,643,374	\$73,079,653	\$3,421,965	\$317,368	\$824,388	402.5
SB 19-123 (Supplemental)	0	0	0	0	0	0.0
Other legislation	44,164	30,132	14,032	0	0	0.3
TOTAL	\$77,687,538	\$73,109,785	\$3,435,997	\$317,368	\$824,388	402.8
FY 2019-20 RECOMMENDED APPROPRIATION						
FY 2018-19 Appropriation	\$77,687,538	\$73,109,785	\$3,435,997	\$317,368	\$824,388	402.8
R2 Sales and Use Tax Collection	774,133	774,133	0	0	0	14.6
Annualize prior year budget actions	759,199	712,232	46,967	0	0	0.0
Annualize prior year legislation	674,813	412,862	261,951	0	0	2.7
Technical adjustments	(1,373,259)	(1,306,641)	(66,618)	0	0	0.0
Indirect cost adjustments	(113)	110	(223)	0	0	0.0
TOTAL	\$78,522,311	\$73,702,481	\$3,678,074	\$317,368	\$824,388	420.1
INCREASE/(DECREASE)	\$834,773	\$592,696	\$242,077	\$0	\$0	17.3
Percentage Change	1.1%	0.8%	7.0%	0.0%	0.0%	4.3%
FY 2019-20 EXECUTIVE REQUEST	\$78,431,858	\$73,675,137	\$3,614,965	\$317,368	\$824,388	420.1
Request Above/(Below) Recommendation	(\$90,453)	(\$27,344)	(\$63,109)	\$0	\$0	0.0

DECISION ITEMS - TAXATION BUSINESS GROUP (NONE)

Decision items for changes to this division are addressed in the Department section.

LINE ITEM DETAIL - TAXATION BUSINESS GROUP

(A) ADMINISTRATION

PERSONAL SERVICES

This line item pays for program staff salary and contract services. Typical adjustments that occur each year include annualization of salary increases and performance awards granted in the prior fiscal year and common policy base reductions.

STATUTORY AUTHORITY: Sections 24-50-101, *et seq.*, and 24-35-101, *et seq.*, C.R.S.

REQUEST: The Department requests an appropriation of \$556,456 total funds, including \$527,497 General Fund and \$28,959 cash funds, and 5.0 FTE.

RECOMMENDATION: Staff recommends appropriating \$556,456 total funds, including \$527,497 General Fund and \$28,959 cash funds, and 5.0 FTE. Adjustments are outlined in the following table.

TAXATION BUSINESS GROUP, ADMINISTRATION, PERSONAL SERVICES						
	TOTAL FUNDS	GENERAL FUND	CASH FUNDS	REAPPROPRIATED FUNDS	FEDERAL FUNDS	FTE
FY 2018-19 APPROPRIATION						
HB 18-1322 (Long Bill)	\$540,557	\$512,427	\$28,130	\$0	\$0	5.0
TOTAL	\$540,557	\$512,427	\$28,130	\$0	\$0	5.0
FY 2019-20 RECOMMENDED APPROPRIATION						
FY 2018-19 Appropriation	\$540,557	\$512,427	\$28,130	\$0	\$0	5.0
Annualize prior year budget actions	14,187	13,248	939	0	0	0.0
Annualize prior year legislation	1,712	1,712	0	0	0	0.0
Indirect cost adjustments	0	110	(110)	0	0	0.0
TOTAL	\$556,456	\$527,497	\$28,959	\$0	\$0	5.0
INCREASE/(DECREASE)	\$15,899	\$15,070	\$829	\$0	\$0	0.0
Percentage Change	2.9%	2.9%	2.9%	0.0%	0.0%	0.0%
FY 2019-20 EXECUTIVE REQUEST	\$556,456	\$527,497	\$28,959	\$0	\$0	5.0
Request Above/(Below) Recommendation	\$0	\$0	\$0	\$0	\$0	0.0

OPERATING EXPENSES

This line item funds general office expenses and the Group's share of a high volume printer that is capable of producing the forms and mass billings that the Group requires.

STATUTORY AUTHORITY: Section 24-35-105, C.R.S.

REQUEST: The Department requests a continuation appropriation of \$12,543 General Fund.

RECOMMENDATION: Staff recommends appropriating \$12,543 General Fund.

TAX ADMINISTRATION IT SYSTEM (GENTAX) SUPPORT

This line item provides funding for the managed services contract that supports and maintains the Department's GenTax software tax collection and administration system. The GenTax software is the culmination of the Colorado Integrated Tax Architecture (CITA) project, a five-phase project to replace the Department of Revenue's tax collection systems. The project received \$53.6 million of capital construction funding.

STATUTORY AUTHORITY: Section 24-35-101, *et seq.*, C.R.S.

REQUEST: The Department requests an appropriation of \$6,085,460 total funds, including \$5,895,460 General Fund and \$190,000 cash funds.

RECOMMENDATION: Staff recommends appropriating \$6,085,460 total funds, including \$5,895,460 General Fund and \$190,000 cash funds. The request and recommendation include annualization adjustments for seven bills (S.B. 18-141, S.B. 18-259, H.B. 18-1060, H.B. 18-1208, H.B. 18-1217, H.B. 18-1267, and H.B. 18-1280) and a technical adjustment for a vendor contract escalator. Adjustments are outlined in the following table.

TAXATION BUSINESS GROUP, ADMINISTRATION, TAX ADMINISTRATION IT SYSTEM (GENTAX) SUPPORT						
	TOTAL FUNDS	GENERAL FUND	CASH FUNDS	REAPPROPRIATED FUNDS	FEDERAL FUNDS	FTE
FY 2018-19 APPROPRIATION						
HB 18-1322 (Long Bill)	\$5,701,770	\$5,691,770	\$10,000	\$0	\$0	0.0
Other legislation	\$29,872	\$15,840	\$14,032	\$0	\$0	0.0
SB 19-123 (Supplemental)	\$0	\$0	\$0	\$0	\$0	0.0
TOTAL	\$5,731,642	\$5,707,610	\$24,032	\$0	\$0	0.0
FY 2019-20 RECOMMENDED APPROPRIATION						
FY 2018-19 Appropriation	\$5,731,642	\$5,707,610	\$24,032	\$0	\$0	0.0
Annualize prior year legislation	187,378	21,410	165,968	0	0	0.0
Technical adjustments	166,440	166,440	0	0	0	0.0
TOTAL	\$6,085,460	\$5,895,460	\$190,000	\$0	\$0	0.0
INCREASE/(DECREASE)						
Percentage Change	6.2%	3.3%	690.6%	0.0%	0.0%	0.0%
FY 2019-20 EXECUTIVE REQUEST						
Request Above/(Below) Recommendation	\$0	\$0	\$0	\$0	\$0	0.0

(B) TAXATION AND COMPLIANCE DIVISION

The Taxation and Compliance Division utilizes various methods to assist in the collection of monies due the State including: filing bankruptcy claims; recording and releasing tax liens and judgments; garnishment of wages and bank accounts; income tax distraint warrants; resolution of taxpayer disputes; and the utilization of private collection agencies. The Division also audits or examines Colorado tax returns both at the Department through its Discovery Program and at business locations through its Field Audit program. Audits are also conducted for the purpose of ascertaining whether royalties have been properly submitted to the State from operating and royalty mineral interests in Colorado.

This division conducts more than 7,000 field audits each year, primarily for retail sales tax, consumer use tax, corporate income tax, and mineral royalties. Tax agents are located in Denver and in six district offices around Colorado, as well as out-of-state offices located in the New York City metro area, Chicago, Houston, Dallas, Los Angeles, and San Francisco. The Division also manages the Joint Audit Program, the Joint Federal/State Motor Fuel Tax program and the Mineral Audit Program.

PERSONAL SERVICES

This line item pays for program staff salary and contract services. Typical adjustments that occur each year include annualization of salary increases and performance awards granted in the prior fiscal year and common policy base reductions.

STATUTORY AUTHORITY: Sections 24-50-101, *et seq.*, and 24-35-101 *et seq.*, C.R.S.

REQUEST: The Department requests an appropriation of \$18,519,726 total funds, including \$17,236,846 General Fund, \$1,128,795 cash funds, and \$154,085 reappropriated funds, and 235.3 FTE.

RECOMMENDATION: Staff recommends appropriating \$18,519,726 total funds, including \$17,236,846 General Fund, \$1,128,795 cash funds, and \$154,085 reappropriated funds, and 235.3 FTE. The request and recommendation include annualization adjustments for salary survey and for three bills (S.B. 18-200, H.B. 18-1185, and H.B. 18-1350). Adjustments are outlined in the following table.

TAXATION BUSINESS GROUP, TAXATION AND COMPLIANCE DIVISION, PERSONAL EXPENSES						
	TOTAL FUNDS	GENERAL FUND	CASH FUNDS	REAPPROPRIATED FUNDS	FEDERAL FUNDS	FTE
FY 2018-19 APPROPRIATION						
HB 18-1322 (Long Bill)	\$17,788,866	\$16,547,328	\$1,087,453	\$154,085	\$0	234.6
Other legislation	\$14,007	\$14,007	\$0	\$0	\$0	0.3
TOTAL	\$17,802,873	\$16,561,335	\$1,087,453	\$154,085	\$0	234.9
FY 2019-20 RECOMMENDED APPROPRIATION						
FY 2018-19 Appropriation	\$17,802,873	\$16,561,335	\$1,087,453	\$154,085	\$0	234.9
Annualize prior year budget actions	456,765	416,877	39,888	0	0	0.0
Annualize prior year legislation	260,088	258,634	1,454	0	0	0.4
TOTAL	\$18,519,726	\$17,236,846	\$1,128,795	\$154,085	\$0	235.3
INCREASE/(DECREASE)	\$716,853	\$675,511	\$41,342	\$0	\$0	0.4
Percentage Change	4.0%	4.1%	3.8%	0.0%	0.0%	0.2%
FY 2019-20 EXECUTIVE REQUEST	\$18,519,726	\$17,236,846	\$1,128,795	\$154,085	\$0	235.3
Request Above/(Below) Recommendation	\$0	\$0	\$0	\$0	\$0	0.0

OPERATING EXPENSES

This line item funds the out-of-state travel needs of its senior auditors, as well as providing the general office expenses for the Division, and the expenses of five programs supporting the Division: Office Collection; Office Audit; Protest Resolution; Field Compliance; and Field Audit.

STATUTORY AUTHORITY: Section 24-35-105, C.R.S.

REQUEST: The Department requests an appropriation of \$1,074,072 total funds, including \$1,049,876 General Fund and \$24,196 cash funds.

RECOMMENDATION: Staff recommends appropriating \$1,074,072 total funds, including \$1,049,876 General Fund and \$24,196 cash funds. The request and recommendation include annualization adjustments for two bills (H.B. 18-1185 and H.B. 18-1350). Adjustments are outlined in the following table.

TAXATION BUSINESS GROUP, TAXATION AND COMPLIANCE DIVISION, OPERATING EXPENSES						
	TOTAL FUNDS	GENERAL FUND	CASH FUNDS	REAPPROPRIATED FUNDS	FEDERAL FUNDS	FTE
FY 2018-19 APPROPRIATION						
HB 18-1322 (Long Bill)	\$1,029,745	\$1,005,549	\$24,196	\$0	\$0	0.0
Other legislation	\$285	\$285	\$0	\$0	\$0	0.0
TOTAL	\$1,030,030	\$1,005,834	\$24,196	\$0	\$0	0.0
FY 2019-20 RECOMMENDED APPROPRIATION						
FY 2018-19 Appropriation	\$1,030,030	\$1,005,834	\$24,196	\$0	\$0	0.0
Annualize prior year legislation	44,042	44,042	0	0	0	0.0
TOTAL	\$1,074,072	\$1,049,876	\$24,196	\$0	\$0	0.0
INCREASE/(DECREASE)	\$44,042	\$44,042	\$0	\$0	\$0	0.0
Percentage Change	4.3%	4.4%	0.0%	0.0%	0.0%	0.0%
FY 2019-20 EXECUTIVE REQUEST	\$1,074,072	\$1,049,876	\$24,196	\$0	\$0	0.0
Request Above/(Below) Recommendation	\$0	\$0	\$0	\$0	\$0	0.0

JOINT AUDIT PROGRAM

This line item provides funding for the state's membership in the Multi-State Tax Commission (MTC). The MTC conducts audits on out-of-state businesses, which complements the Department's efforts in the Field Audit Program. The Department has had a partnership with the MTC for over 20 years.

STATUTORY AUTHORITY: Section 24-35-101, *et seq.*, C.R.S.

REQUEST: The Department requests a continuation appropriation of \$131,244 General Fund.

RECOMMENDATION: Staff recommends appropriating \$131,244 General Fund.

MINERAL AUDIT PROGRAM

Pursuant to Section 24-35-115, C.R.S., the Department audits royalties associated with oil, gas, and mineral mining activity on federal, state, and private land. Audits are conducted by a work group in the Department which statutorily can have no other duties. The majority of the funding comes from the federal government, with the remainder from the State Land Board and the Oil and Gas Conservation Commission (OGCC), both in the Department of Natural Resources. Federal funds are from the Federal Minerals Management Service (MMS) as the Department conducts audits on their behalf on lands under federal control.

STATUTORY AUTHORITY: Section 24-35-115, C.R.S.

REQUEST: The Department requests a continuation appropriation of \$890,388 total funds, including \$66,000 reappropriated funds and \$824,388 federal funds, and 10.2 FTE. The reappropriated funds are comprised of \$65,500 from the State Land Board and \$500 from the OGCC.

RECOMMENDATION: Staff recommends appropriating \$890,388, including \$66,000 reappropriated funds and \$824,388 federal funds, and 10.2 FTE.

(C) TAXPAYER SERVICE DIVISION

The Taxpayer Service Division (TPS) administers the State's tax programs and provides assistance and information to Colorado taxpayers. The Division maintains five service centers in Colorado Springs, Denver, Fort Collins, Grand Junction, and Pueblo, as well as a tax information call center. The Division produces public information campaigns, administers tax classes to promote voluntary compliance, and distributes information to the public to explain the State's tax laws and policies. TPS also issues licenses and permits, processes tax forms and requests for refunds, resolves taxpayer problems, and intercepts income tax refunds for payment of debts owed to other State agencies and the Internal Revenue Service.

The Division also collects local sales taxes on behalf of non-home-rule cities, counties, and special districts. The division administers the property tax/rent heat/fuel grant program; severance taxes; the gasoline, special fuel, and aviation fuel environmental response surcharge; the International Fuel Tax Agreement; cigarette, tobacco, liquor and marijuana excise taxes; public utility assessments; and food service licensing.

PERSONAL SERVICES

This line item pays for program staff salary and contract services. Typical adjustments that occur each year include annualization of salary increases and performance awards granted in the prior fiscal year and common policy base reductions.

STATUTORY AUTHORITY: Sections 24-50-101, *et seq.*, and 24-35-101 *et seq.*, C.R.S.

REQUEST: The Department requests an appropriation of \$9,775,383 total funds, including \$9,372,677 General Fund and \$402,706 cash funds, and 154.5 FTE. The Department's request includes a salary survey annualization, annualization adjustments for six bills (S.B. 17-267, S.B. 18-141, S.B. 18-200, H.B. 18-1060, H.B. 18-1208 and H.B. 18-1267), and the Department's R2 request.

RECOMMENDATION: Staff recommends appropriating \$9,775,383 total funds, including \$9,372,677 General Fund and \$402,706 cash funds, and 154.5 FTE. The recommendation includes the annualization adjustments and the Department's R2 request. Adjustments are outlined in the following table.

TAXATION BUSINESS GROUP, TAXPAYER SERVICE DIVISION, PERSONAL SERVICES						
	TOTAL FUNDS	GENERAL FUND	CASH FUNDS	REAPPROPRIATED FUNDS	FEDERAL FUNDS	FTE
FY 2018-19 APPROPRIATION						
HB 18-1322 (Long Bill)	\$8,616,529	\$8,304,362	\$312,167	\$0	\$0	137.6
TOTAL	\$8,616,529	\$8,304,362	\$312,167	\$0	\$0	137.6
FY 2019-20 RECOMMENDED APPROPRIATION						
FY 2018-19 Appropriation	\$8,616,529	\$8,304,362	\$312,167	\$0	\$0	137.6
R2 Sales and Use Tax Collection	750,857	750,857	0	0	0	14.6
Annualize prior year budget actions	261,968	255,867	6,101	0	0	0.0
Annualize prior year legislation	146,029	61,591	84,438	0	0	2.3
TOTAL	\$9,775,383	\$9,372,677	\$402,706	\$0	\$0	154.5

TAXATION BUSINESS GROUP, TAXPAYER SERVICE DIVISION, PERSONAL SERVICES						
	TOTAL FUNDS	GENERAL FUND	CASH FUNDS	REAPPROPRIATED FUNDS	FEDERAL FUNDS	FTE
INCREASE/(DECREASE)	\$1,158,854	\$1,068,315	\$90,539	\$0	\$0	16.9
Percentage Change	13.4%	12.9%	29.0%	0.0%	0.0%	12.3%
FY 2019-20 EXECUTIVE REQUEST	\$9,775,383	\$9,372,677	\$402,706	\$0	\$0	154.5
Request Above/(Below) Recommendation	\$0	\$0	\$0	\$0	\$0	0.0

OPERATING EXPENSES

The largest expenditure in this line is for transaction fees (which are capped at \$13,000 per month) for the automated call system. These fees are assessed per interactive voice response system call and web hits. It also funds general office supplies and expenses.

STATUTORY AUTHORITY: Section 24-35-105, C.R.S.

REQUEST: The Department requests an appropriation of \$546,434 total funds, including \$532,366 General Fund and \$14,068 cash funds. The request includes annualization adjustments for four bills (S.B. 17-267, S.B. 18-141, H.B. 18-1060, and H.B. 18-1267) and the Department's R2 request.

RECOMMENDATION: Staff recommends appropriating \$546,434 total funds, including \$532,366 General Fund and \$14,068 cash funds. The recommendation includes the annualization adjustments and the Department's R2 request. Adjustments are outlined in the following table.

TAXATION BUSINESS GROUP, TAXPAYER SERVICE DIVISION, OPERATING EXPENSES						
	TOTAL FUNDS	GENERAL FUND	CASH FUNDS	REAPPROPRIATED FUNDS	FEDERAL FUNDS	FTE
FY 2018-19 APPROPRIATION						
HB 18-1322 (Long Bill)	\$508,769	\$504,686	\$4,083	\$0	\$0	0.0
TOTAL	\$508,769	\$504,686	\$4,083	\$0	\$0	0.0
FY 2019-20 RECOMMENDED APPROPRIATION						
FY 2018-19 Appropriation	\$508,769	\$504,686	\$4,083	\$0	\$0	0.0
R2 Sales and Use Tax Collection	23,276	23,276	0	0	0	0.0
Annualize prior year legislation	14,389	4,404	9,985	0	0	0.0
TOTAL	\$546,434	\$532,366	\$14,068	\$0	\$0	0.0
INCREASE/(DECREASE)	\$37,665	\$27,680	\$9,985	\$0	\$0	0.0
Percentage Change	7.4%	5.5%	244.6%	0.0%	0.0%	0.0%
FY 2019-20 EXECUTIVE REQUEST	\$546,434	\$532,366	\$14,068	\$0	\$0	0.0
Request Above/(Below) Recommendation	\$0	\$0	\$0	\$0	\$0	0.0

SEASONAL TAX PROCESSING

This line item was added in FY 2014-15 and funds the seasonal processing expenses that occur during the individual income tax filing season.

STATUTORY AUTHORITY: Section 24-35-101, *et seq.*, C.R.S.

REQUEST: The Department requests a continuation appropriation of \$296,391 General Fund.

RECOMMENDATION: Staff recommends appropriating \$296,391 General Fund.

DOCUMENT MANAGEMENT

This line item provides funding for the data entry services provided by the Department of Personnel to capture information from paper tax forms and from driver's license documentation, and image and store tax returns and related documentation primarily for audit purposes, account error resolutions, or taxpayer requests and inquiries.

STATUTORY AUTHORITY: Sections 24-30-1104 and 24-35-105, C.R.S.

REQUEST: The Department requests an appropriation of \$5,271,763 total funds, including \$5,233,244 General Fund and \$38,519 cash funds. The request includes annualization adjustments for two bills (S.B. 17-267 and H.B. 18-1208) and an adjustment for payments to the Department of Personnel for the Tax Pipeline Adjustment.

RECOMMENDATION: Staff recommends appropriating \$5,299,107 total funds, including \$5,260,588 General Fund and \$38,519 cash funds. The recommendation includes the annualization adjustments and the Tax Pipeline Adjustment approved by the Committee in Department of Personnel figure setting. Adjustments are outlined in the following table.

TAXATION BUSINESS GROUP, TAXPAYER SERVICE DIVISION, DOCUMENT MANAGEMENT						
	TOTAL FUNDS	GENERAL FUND	CASH FUNDS	REAPPROPRIATED FUNDS	FEDERAL FUNDS	FTE
FY 2018-19 APPROPRIATION						
HB 18-1322 (Long Bill)	\$4,321,455	\$4,282,936	\$38,519	\$0	\$0	0.0
TOTAL	\$4,321,455	\$4,282,936	\$38,519	\$0	\$0	0.0
FY 2019-20 RECOMMENDED APPROPRIATION						
FY 2018-19 Appropriation	\$4,321,455	\$4,282,936	\$38,519	\$0	\$0	0.0
Technical adjustments	959,759	959,759	0	0	0	0.0
Annualize prior year legislation	17,893	17,893	0	0	0	0.0
TOTAL	\$5,299,107	\$5,260,588	\$38,519	\$0	\$0	0.0
INCREASE/(DECREASE)	\$977,652	\$977,652	\$0	\$0	\$0	0.0
Percentage Change	22.6%	22.8%	0.0%	0.0%	0.0%	0.0%
FY 2019-20 EXECUTIVE REQUEST						
Request Above/(Below) Recommendation	(\$27,344)	(\$27,344)	\$0	\$0	\$0	0.0

FUEL TRACKING SYSTEM

Pursuant to Section 39-27-109, C.R.S., the Department of Revenue tracks the movement of gasoline and special fuel with the goal of expediting the collection of excise taxes. Most funding provides an electronic tracking system maintained by a third party. Funding for this program is from the Highway Users Trust Fund (not from HUTF Off the Top), pursuant to Section 43-4-201 (3) (a) (V), C.R.S.

STATUTORY AUTHORITY: Section 39-27-109.7, C.R.S.

REQUEST: The Department requests an appropriation of \$497,587 cash funds and 1.5 FTE. The request includes annualization adjustments for salary survey and for S.B. 18-200.

RECOMMENDATION: Staff recommends appropriating \$497,587 cash funds and 1.5 FTE. The recommendation includes the annualization adjustments. Adjustments are outlined in the following table.

TAXATION BUSINESS GROUP, TAXPAYER SERVICE DIVISION, FUEL TRACKING SYSTEM						
	TOTAL FUNDS	GENERAL FUND	CASH FUNDS	REAPPROPRIATED FUNDS	FEDERAL FUNDS	FTE
FY 2018-19 APPROPRIATION						
HB 18-1322 (Long Bill)	\$497,442	\$0	\$497,442	\$0	\$0	1.5
TOTAL	\$497,442	\$0	\$497,442	\$0	\$0	1.5
FY 2019-20 RECOMMENDED APPROPRIATION						
FY 2018-19 Appropriation	\$497,442	\$0	\$497,442	\$0	\$0	1.5
Annualize prior year legislation	106	0	106	0	0	0.0
Annualize prior year budget actions	39	0	39	0	0	0.0
TOTAL	\$497,587	\$0	\$497,587	\$0	\$0	1.5
INCREASE/(DECREASE)	\$145	\$0	\$145	\$0	\$0	0.0
Percentage Change	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
FY 2019-20 EXECUTIVE REQUEST	\$497,587	\$0	\$497,587	\$0	\$0	1.5
Request Above/(Below) Recommendation	\$0	\$0	\$0	\$0	\$0	0.0

INDIRECT COST ASSESSMENT

This line item reflects the indirect cost assessment for this Division, which is based on the Department and Statewide indirect cost allocation plans. This appropriation reflects administrative support costs for this division provided by the Executive Director's Office and statewide services which are not directly billed. Indirect cost assessments (1) offset General Fund and (2) reflect the full cost of cash-funded programs.

STATUTORY AUTHORITY: Section 24-75-1401, C.R.S

REQUEST: The Department requests an appropriation of \$9,611 cash funds.

RECOMMENDATION: Staff recommends appropriating \$9,611 cash funds, consistent with the Department's indirect cost plan.

TAXATION BUSINESS GROUP, TAXPAYER SERVICE DIVISION, INDIRECT COST ASSESSMENT						
	TOTAL FUNDS	GENERAL FUND	CASH FUNDS	REAPPROPRIATED FUNDS	FEDERAL FUNDS	FTE
FY 2018-19 APPROPRIATION						
HB 18-1322 (Long Bill)	\$9,724	\$0	\$9,724	\$0	\$0	0.0
TOTAL	\$9,724	\$0	\$9,724	\$0	\$0	0.0
FY 2019-20 RECOMMENDED APPROPRIATION						

FY 2018-19 Appropriation	\$9,724	\$0	\$9,724	\$0	\$0	0.0
Indirect cost adjustments	(113)	0	(113)	0	0	0.0
TOTAL	\$9,611	\$0	\$9,611	\$0	\$0	0.0
INCREASE/(DECREASE)	(\$113)	\$0	(\$113)	\$0	\$0	0.0
Percentage Change	(1.2%)	0.0%	(1.2%)	0.0%	0.0%	0.0%
FY 2019-20 EXECUTIVE REQUEST	\$9,611	\$0	\$9,611	\$0	\$0	0.0
Request Above/(Below) Recommendation	\$0	\$0	\$0	\$0	\$0	0.0

(D) TAX CONFEREE

The Tax Conferee serves as an intermediary in the hearing process and acts as the Executive Director's official designee for tax hearings. These can include tax assessment disputes and refund denials. Employees in this unit conduct reviews, legal research, investigations, interviews, and negotiations. They also assist taxpayers in clarifying decisions. If a hearing with the Tax Conferee fails to achieve a successful resolution, then a formal hearing with the Executive Director is granted. Finally, if a feasible resolution is not attained, the aggrieved party may elevate the dispute to the judicial system. Under Section 29-2-106.1, C.R.S., Department staff may hear appeals of final decisions from home rule cities and counties.

PERSONAL SERVICES

This line item pays for program staff salary and contract services. Typical adjustments that occur each year include annualization of salary increases and performance awards granted in the prior fiscal year and common policy base reductions.

STATUTORY AUTHORITY: Sections 39-21-103, 39-21-104, 29-2-106.1, and 24-50-101, *et seq.*, C.R.S.

REQUEST: The Department requests an appropriation of \$1,743,555 total funds, including \$1,646,272 General Fund and \$97,283 reappropriated funds, and 13.6 FTE. Reappropriated funds are from the Governor's Economic Development Commission – General Economic Incentives and Marketing line item. The request includes annualization adjustments for salary survey and S.B. 18-200.

RECOMMENDATION: Staff recommends appropriating \$1,743,555 total funds, including \$1,646,272 General Fund and \$97,283 reappropriated funds, and 13.6 FTE. The recommendation includes the annualization adjustments. Adjustments are outlined in the following table.

TAXATION BUSINESS GROUP, TAX CONFEREE, PERSONAL SERVICES						
	TOTAL FUNDS	GENERAL FUND	CASH FUNDS	REAPPROPRIATED FUNDS	FEDERAL FUNDS	FTE
FY 2018-19 APPROPRIATION						
HB 18-1322 (Long Bill)	\$1,714,139	\$1,616,856	\$0	\$97,283	\$0	13.6
TOTAL	\$1,714,139	\$1,616,856	\$0	\$97,283	\$0	13.6
FY 2019-20 RECOMMENDED APPROPRIATION						
FY 2018-19 Appropriation	\$1,714,139	\$1,616,856	\$0	\$97,283	\$0	13.6
Annualize prior year budget actions	26,240	26,240	0	0	0	0.0
Annualize prior year legislation	3,176	3,176	0	0	0	0.0
TOTAL	\$1,743,555	\$1,646,272	\$0	\$97,283	\$0	13.6
INCREASE/(DECREASE)	\$29,416	\$29,416	\$0	\$0	\$0	0.0

TAXATION BUSINESS GROUP, TAX CONFEREE, PERSONAL SERVICES						
	TOTAL FUNDS	GENERAL FUND	CASH FUNDS	REAPPROPRIATED FUNDS	FEDERAL FUNDS	FTE
Percentage Change	1.7%	1.8%	0.0%	0.0%	0.0%	0.0%
FY 2019-20 EXECUTIVE REQUEST	\$1,743,555	\$1,646,272	\$0	\$97,283	\$0	13.6
Request Above/(Below) Recommendation	\$0	\$0	\$0	\$0	\$0	0.0

OPERATING EXPENSES

This line item funds subscriptions to legal research materials and phone charges, plus general office supplies and expenses.

STATUTORY AUTHORITY: Sections 39-21-103, 39-21-104, 29-2-106.1, and 24-35-105, C.R.S.

REQUEST: The Department requests a continuation appropriation of \$60,905 General Fund.

RECOMMENDATION: Staff recommends appropriating \$60,905 General Fund.

(E) SPECIAL PURPOSE

This section of the Long Bill provides funding for four "pass-through" programs administered by the Department. The oversight costs are relatively small and are absorbed by other divisions within the Taxation Business Group.

CIGARETTE TAX REBATE

Pursuant to Section 39-22-623, C.R.S., this program distributes 27 percent of the gross state revenue from state cigarette tax to incorporated cities and towns that levy taxes and adopt formal budgets as well as to counties. These distributions are made in proportion to the state sales taxes collected in the jurisdiction to the total state sales taxes collected, which the Department of Revenue annually certifies to the State Treasurer. In order to qualify for the rebate, units of local government are prohibited from imposing fees, licenses, or taxes on cigarettes.

This appropriation is exempt from the limits on General Fund appropriations as set forth in Section 24-75-201.1 (1) (a) (II.5), C.R.S. and is included in the Long Bill for informational purposes.

STATUTORY AUTHORITY: Section 39-22-623, C.R.S.

REQUEST: The Department requests that \$7,327,016 General Fund exempt from spending and appropriations limits be reflected in the Long Bill as the informational appropriation. The request is based on the September 2018 Office of State Planning and Budgeting (OSPB) economic forecast.

RECOMMENDATION: Staff recommends reflecting an appropriation based on the March 2019 economic forecast that the JBC adopts as its revenue forecast. Staff requests permission to reflect that estimate as the informational appropriation included in the Long Bill.

AMENDMENT 35 DISTRIBUTION TO LOCAL GOVERNMENTS

House Bill 05-1262 implemented Amendment 35, passed by the voters in November 2004. Three percent of the total revenue and interest earned on proceeds deposited into the Tobacco Tax Cash Fund are earmarked for municipal and county governments to "compensate proportionately for tax Revenue reductions attributable to lower cigarette and tobacco sales resulting from implementation of the tax." These moneys are allocated to local governments according to the provisions set forth in Section 39-22-623, C.R.S. The Department of Revenue receives part of the 3 percent allocation to the General Fund (20%), the Old Age Pension Medical Fund (50%), and the Department of Revenue (30%).

This appropriation is authorized by Section 21 of Article X of the Colorado Constitution and thus, is not subject to the limitation on state fiscal year spending imposed by Section 20 of Article X of the State Constitution. The appropriation is included in the Long Bill for informational purposes.

STATUTORY AUTHORITY: Section 21, Article X, Colorado Constitution.

REQUEST: The Department requests an appropriation of \$1,160,000 cash funds from the Tobacco Tax Cash Fund. The request is based on the September 2018 OSPB forecast.

RECOMMENDATION: Staff recommends reflecting an appropriation of \$1,223,109 cash funds, which represents Committee Action on Tobacco Revenue Allocation decisions. If the Committee makes any adjustments to the Tobacco Revenue Allocation, staff requests permission to reflect final action.

TAXATION BUSINESS GROUP, SPECIAL PURPOSE, AMENDMENT 35 DISTRIBUTION TO LOCAL GOVERNMENTS						
	TOTAL FUNDS	GENERAL FUND	CASH FUNDS	REAPPROPRIATED FUNDS	FEDERAL FUNDS	FTE
FY 2018-19 APPROPRIATION						
HB 18-1322 (Long Bill)	\$1,289,727	\$0	\$1,289,727	\$0	\$0	0.0
TOTAL	\$1,289,727	\$0	\$1,289,727	\$0	\$0	0.0
FY 2019-20 RECOMMENDED APPROPRIATION						
FY 2018-19 Appropriation	\$1,289,727	\$0	\$1,289,727	\$0	\$0	0.0
Technical adjustments	(66,618)	0	(66,618)	0	0	0.0
TOTAL	\$1,223,109	\$0	\$1,223,109	\$0	\$0	0.0
INCREASE/(DECREASE)	(\$66,618)	\$0	(\$66,618)	\$0	\$0	0.0
Percentage Change	(5.2%)	0.0%	(5.2%)	0.0%	0.0%	0.0%
FY 2019-20 EXECUTIVE REQUEST	\$1,160,000	\$0	\$1,160,000	\$0	\$0	0.0
Request Above/(Below) Recommendation	(\$63,109)	\$0	(\$63,109)	\$0	\$0	0.0

OLD AGE HEAT AND FUEL AND PROPERTY TAX ASSISTANCE GRANT

Pursuant to Sections 39-31-101 and 104, C.R.S., the Department distributes heat, fuel, and property tax assistance grants to qualified low-income individuals age 65 and over or disabled. This appropriation is exempt from the limits on General Fund appropriations as set forth in Section 24-75-201.1 (1) (a) (II.5), C.R.S. and is included in the Long Bill for informational purposes. Both the Governor's Office of State Planning and Budgeting and Legislative Council often refer to this program as the "Aged Property Tax & Heating Credit".

STATUTORY AUTHORITY: Section 39-31-101, *et seq.*, C.R.S.

REQUEST: The Department requests that \$5,584,000 General Fund exempt from spending and appropriations limits be reflected in the Long Bill as the informational appropriation. The request is based on the September 2018 OSPB forecast.

RECOMMENDATION: Staff recommends reflecting an appropriation based on the March 2019 economic forecast that the JBC adopts as its revenue forecast. Staff requests permission to reflect that estimate as the informational appropriation in the Long Bill.

COMMERCIAL VEHICLE ENTERPRISE SALES TAX REFUND

Section 42-1-225, C.R.S., requires the Department of Revenue to issue sales tax refunds for entities that paid sales taxes on qualified purchases or lease of commercial vehicles used for interstate commerce. The sales tax refund comes from the Commercial Vehicle Enterprise Tax Fund. Deposits into the cash fund are derived from a portion of the fines on overweight vehicles and pursuant to Section 42-1-225 (1), C.R.S., the fund is continuously appropriated to the Department of Revenue for the purpose of paying tax refunds.

STATUTORY AUTHORITY: Section 42-1-225, C.R.S.

REQUEST: The Department requests a continuation, informational appropriation of \$120,524 cash funds from the Commercial Vehicle Enterprise Tax Fund.

RECOMMENDATION: Staff recommends reflecting an informational appropriation of \$120,524 cash funds.

RETAIL MARIJUANA SALES TAX DISTRIBUTION TO LOCAL GOVERNMENTS

This line item was added in FY 2013-14. Section 39-28.8-203 (1)(a)(V), C.R.S., requires that money apportioned to local governments (15.0 percent of the special sales tax) as a result of the Proposition AA 10.0 percent special sales tax on retail marijuana products be included for informational purposes in the Long Bill or in supplemental appropriation bills and is exempt from the limits on General Fund appropriations as set forth in Section 24-75-201.1 (1) (a) (II.5), C.R.S.

STATUTORY AUTHORITY: Section 39-28.8-203, C.R.S.

REQUEST: The Department requests that \$18,768,800 General Fund exempt from spending and appropriations limits be reflected in the Long Bill as the informational appropriation. The Department's request is based on the September 2018 OSPB forecast.

RECOMMENDATION: Staff recommends reflecting an appropriation based on the March 2019 economic forecast that the JBC adopts as its revenue forecast. Staff requests permission to reflect that estimate as the informational appropriation in the Long Bill.

(4) DIVISION OF MOTOR VEHICLES

The Division of Motor Vehicles consists of Administration, Driver Services and Vehicle Services sections. These sections are responsible for the enforcement and administration of the laws governing driver licensing and vehicle registration.

DIVISION OF MOTOR VEHICLES					
	TOTAL FUNDS	GENERAL FUND	CASH FUNDS	REAPPROPRIATED FUNDS	FTE
FY 2018-19 Appropriation					
HB 18-1322 (Long Bill)	\$55,743,311	\$4,520,309	\$51,044,531	\$178,471	519.9
SB 19-123 (Supplemental)	828,360	0	828,360	0	0.0
Other legislation	197,959	14,719	120,240	63,000	0.9
TOTAL	\$56,769,630	\$4,535,028	\$51,993,131	\$241,471	520.8
FY 2019-20 RECOMMENDED APPROPRIATION					
FY 2018-19 Appropriation	\$56,769,630	\$4,535,028	\$51,993,131	\$241,471	520.8
R4 Drivers License Documents	1,207,872	0	1,207,872	0	0.0
R5 Division of Motor Vehicles Leased Space	821,427	0	821,427	0	8.0
Non-prioritized requests	1,908	0	1,908	0	0.0
Annualize prior year budget actions	4,518,579	136,784	4,378,608	3,187	0.0
Indirect cost adjustments	176,494	184,313	(7,819)	0	0.0
Technical adjustments	174,720	0	174,720	0	0.0
Annualize prior year legislation	(837,753)	(20,477)	(754,513)	(62,763)	1.5
TOTAL	\$62,832,877	\$4,835,648	\$57,815,334	\$181,895	530.3
INCREASE/(DECREASE)	\$6,063,247	\$300,620	\$5,822,203	(\$59,576)	9.5
Percentage Change	10.7%	6.6%	11.2%	(24.7%)	1.8%
FY 2019-20 EXECUTIVE REQUEST	\$62,832,877	\$4,835,648	\$57,815,334	\$181,895	530.3
Request Above/(Below) Recommendation	\$0	\$0	\$0	\$0	(0.0)

DECISION ITEMS - DIVISION OF MOTOR VEHICLES (NONE)

Decision items for changes to this division are addressed in the Department section.

LINE ITEM DETAIL - DIVISION OF MOTOR VEHICLES

(A) ADMINISTRATION

The Administration subgroup includes the Senior Director, Deputy Director, administrative support staff, division financial staff, and the Investigations Unit. The Administration subgroup supports the administrative and financial management of all DMV operations. The Investigations Unit is responsible for conducting investigations on both driver and vehicle records. This unit is accountable for preserving and protecting the integrity of motor vehicle records by investigating and preventing fraud, ensuring statutory compliance, and providing victim advocacy. The unit is also responsible for all Exception Processing for Colorado residents who cannot meet the established requirements for driver licenses or identification cards.

PERSONAL SERVICES

This line item pays for program staff salary and contract services. Typical adjustments that occur each year include annualization of salary increases and performance awards granted in the prior fiscal year and common policy base reductions.

STATUTORY AUTHORITY: Sections 24-50-101, *et seq.* and 42-2-101, *et seq.*, C.R.S.

REQUEST: The Department requests an appropriation of \$2,630,148 total funds, including \$369,059 General Fund, \$2,209,744 cash funds, and \$51,345 reappropriated funds, and 32.9 FTE. The request includes annualization adjustments for salary survey and S.B. 18-200 and an adjustment for an indirect cost recoveries refinancing.

RECOMMENDATION: Staff recommends appropriating \$2,630,148 total funds, including \$369,059 General Fund, \$2,209,744 cash funds, and \$51,345 reappropriated funds, and 32.9 FTE. The recommendation includes the annualization and refinancing adjustments. Adjustments are outlined in the following table.

DIVISION OF MOTOR VEHICLES, ADMINISTRATION, PERSONAL SERVICES						
	TOTAL FUNDS	GENERAL FUND	CASH FUNDS	REAPPROPRIATED FUNDS	FEDERAL FUNDS	FTE
FY 2018-19 APPROPRIATION						
HB 18-1322 (Long Bill)	\$2,586,977	\$231,797	\$2,303,835	\$51,345	\$0	32.9
TOTAL	\$2,586,977	\$231,797	\$2,303,835	\$51,345	\$0	32.9
FY 2019-20 RECOMMENDED APPROPRIATION						
FY 2018-19 Appropriation	\$2,586,977	\$231,797	\$2,303,835	\$51,345	\$0	32.9
Annualize prior year budget actions	34,204	6,555	27,649	0	0	0.0
Annualize prior year legislation	8,967	0	8,967	0	0	0.0
Indirect cost adjustments	0	130,707	(130,707)	0	0	0.0
TOTAL	\$2,630,148	\$369,059	\$2,209,744	\$51,345	\$0	32.9
INCREASE/(DECREASE)	\$43,171	\$137,262	(\$94,091)	\$0	\$0	0.0
Percentage Change	1.7%	59.2%	(4.1%)	0.0%	0.0%	0.0%
FY 2019-20 EXECUTIVE REQUEST	\$2,630,148	\$369,059	\$2,209,744	\$51,345	\$0	32.9
Request Above/(Below) Recommendation	\$0	\$0	\$0	\$0	\$0	0.0

OPERATING EXPENSES

This line item funds telecommunications, general office supplies, and printing costs.

STATUTORY AUTHORITY: Sections 24-35-105 and 42-2-101, *et seq.*, C.R.S.

REQUEST: The Department requests an appropriation of \$440,980 total funds, including \$65,317 General Fund, \$372,273 cash funds, and \$3,390 reappropriated funds. The request includes annualization adjustments for S.B. 18-233 and the FY 2018-19 DRIVES production support request item and an indirect cost recoveries refinancing.

RECOMMENDATION: Staff recommends appropriating \$440,980 total funds, including \$65,317 General Fund, \$372,273 cash funds, and \$3,390 reappropriated funds. The recommendation includes the annualization and refinancing adjustments. Adjustments are outlined in the following table.

DIVISION OF MOTOR VEHICLES, ADMINISTRATION, OPERATING EXPENSES						
	TOTAL FUNDS	GENERAL FUND	CASH FUNDS	REAPPROPRIATED FUNDS	FEDERAL FUNDS	FTE
FY 2018-19 APPROPRIATION						
HB 18-1322 (Long Bill)	\$458,200	\$11,711	\$443,099	\$3,390	\$0	0.0
Other legislation	\$63,000	\$0	\$0	\$63,000	\$0	0.0
TOTAL	\$521,200	\$11,711	\$443,099	\$66,390	\$0	0.0
FY 2019-20 RECOMMENDED APPROPRIATION						
FY 2018-19 Appropriation	\$521,200	\$11,711	\$443,099	\$66,390	\$0	0.0
Indirect cost adjustments	0	53,606	(53,606)	0	0	0.0
Annualize prior year legislation	(63,000)	0	0	(63,000)	0	0.0
Annualize prior year budget actions	(17,220)	0	(17,220)	0	0	0.0
TOTAL	\$440,980	\$65,317	\$372,273	\$3,390	\$0	0.0
INCREASE/(DECREASE)	(\$80,220)	\$53,606	(\$70,826)	(\$63,000)	\$0	0.0
Percentage Change	(15.4%)	457.7%	(16.0%)	(94.9%)	0.0%	0.0%
FY 2019-20 EXECUTIVE REQUEST	\$440,980	\$65,317	\$372,273	\$3,390	\$0	0.0
Request Above/(Below) Recommendation	\$0	\$0	\$0	\$0	\$0	0.0

DRIVES MAINTENANCE AND SUPPORT

This line item was added in FY 2018-19 and provides funding for the managed services contract that supports and maintains the DRIVES IT system. The DRIVES project replaced the legacy driver's license system and the Colorado State Titling and Registration System. The DRIVES project received \$93.4 million of capital construction funding, including \$41.0 million in FY 2014-15 and \$52.4 million in FY 2015-16. This line item funds the 10-year, maintenance and support contract with the DRIVES system vendor, FAST Enterprises, LLC., estimated to total \$71.3 million over 10 years, with a base, annual cost of \$6.24 million plus Denver-Boulder CPI inflation index adjustments.

STATUTORY AUTHORITY: Sections 24-35-105 and 42-2-101, *et seq.*, C.R.S.

REQUEST: The Department requests an appropriation of \$6,578,868 cash funds. The request includes: an annualization of the FY 2018-19 DRIVES maintenance and support request item, totaling \$3.8 million cash funds; a vendor contract escalator of \$174,720; and a non-prioritized request from the Department of Personnel for the printing and mailing for counties participating in DRIVES request item.

RECOMMENDATION: Staff recommends appropriating a base appropriation of \$6,576,960 cash funds. The base appropriation recommendation includes the annualization and contract escalator adjustments. The non-prioritized request is pending. Staff requests permission to adjust the appropriation based on the Committee's decision for the non-prioritized adjustment. Adjustments are outlined in the following table.

DIVISION OF MOTOR VEHICLES, ADMINISTRATION, DRIVES MAINTENANCE AND SUPPORT						
	TOTAL FUNDS	GENERAL FUND	CASH FUNDS	REAPPROPRIATED FUNDS	FEDERAL FUNDS	FTE
FY 2018-19 APPROPRIATION						
HB 18-1322 (Long Bill)	\$2,600,000	\$0	\$2,600,000	\$0	\$0	0.0
Other legislation	\$0	\$0	\$0	\$0	\$0	0.0
TOTAL	\$2,600,000	\$0	\$2,600,000	\$0	\$0	0.0
FY 2019-20 RECOMMENDED APPROPRIATION						
FY 2018-19 Appropriation	\$2,600,000	\$0	\$2,600,000	\$0	\$0	0.0
Annualize prior year budget actions	3,802,240	0	3,802,240	0	0	0.0
Technical adjustments	174,720	0	174,720	0	0	0.0
Non-prioritized requests	1,908	0	1,908	0	0	0.0
TOTAL	\$6,578,868	\$0	\$6,578,868	\$0	\$0	0.0
INCREASE/(DECREASE)	\$3,978,868	\$0	\$3,978,868	\$0	\$0	0.0
Percentage Change	153.0%	0.0%	153.0%	0.0%	0.0%	0.0%
FY 2019-20 EXECUTIVE REQUEST						
Request Above/(Below) Recommendation	\$0	\$0	\$0	\$0	\$0	0.0

(B) DRIVER SERVICES

The Driver Services subgroup includes three programs: Driver License (including the Commercial Driver License Program (CDL), Driver Control, and Ignition Interlock.

The **Driver License Program** is responsible for issuing driver licenses, instruction permits, identification cards, and commercial driver licenses to the citizens of Colorado. Additionally, this section also issues copies of driving records, oversees the curriculum and training of commercial driving schools, and licenses and oversees third-party testers who administer driving and motorcycle skill tests.

The **Driver Control Program** is responsible for collecting, maintaining, analyzing, and producing all driver records for the state. It receives and processes penalty assessment citations and processes fine payments and administers driver license sanctions by imposing license suspensions and revocations in accordance with the law. The Driver Control Program also supports law enforcement with a 24/7 communications center that provides information on drivers and vehicles and supports prosecutors and courts with the production of evidence packets. This section also monitors drive log data on interlock restricted drivers and imposes restraints.

The **Ignition Interlock Program** is discussed in detail at the line item level.

PERSONAL SERVICES

This line item pays for program staff salary and contract services. Typical adjustments that occur each year include annualization of salary increases and performance awards granted in the prior fiscal year and common policy base reductions. Cash funds are predominantly provided from the Licensing Services Cash Fund, as well as the following accounts of the Highway Users Tax Fund: the Colorado State Titling and Registration Account/Colorado DRIVES Vehicle Services Account, Driver's License Administrative Revocation Account, and the First-time Drunk Driving Offender Account; and several funds that provide minimal funding.

STATUTORY AUTHORITY: Sections 24-50-101, *et seq.* and 42-2-125, C.R.S.

REQUEST: The Department requests an appropriation of \$23,072,944 total funds, including \$3,264,481 General Fund, \$19,691,473 cash funds, and \$116,990 reappropriated funds, and 419.5 FTE. The request includes annualization adjustments for salary survey and three bills (S.B. 18-108, S.B. 18-200, and H.B. 18-1042) and includes the Department's R5 request item.

RECOMMENDATION: Staff recommends appropriating \$23,072,944 total funds, including \$3,264,481 General Fund, \$19,691,473 cash funds, and \$116,990 reappropriated funds, and 419.5 FTE. The recommendation includes the annualization adjustments to the base appropriation and reflects staff's recommendation on the Department's R5 request item. Adjustments are outlined in the following table.

DIVISION OF MOTOR VEHICLES, DRIVER SERVICES, PERSONAL SERVICES						
	TOTAL FUNDS	GENERAL FUND	CASH FUNDS	REAPPROPRIATED FUNDS	FEDERAL FUNDS	FTE
FY 2018-19 APPROPRIATION						
HB 18-1322 (Long Bill)	\$21,771,697	\$3,156,569	\$18,501,562	\$113,566	\$0	409.1
Other legislation	\$39,170	(\$5,276)	\$44,446	\$0	\$0	0.9
TOTAL	\$21,810,867	\$3,151,293	\$18,546,008	\$113,566	\$0	410.0
FY 2019-20 RECOMMENDED APPROPRIATION						
FY 2018-19 Appropriation	\$21,810,867	\$3,151,293	\$18,546,008	\$113,566	\$0	410.0
Annualize prior year budget actions	720,490	113,670	603,633	3,187	0	0.0
R5 Division of Motor Vehicles Leased Space	435,437	0	435,437	0	0	8.0
Annualize prior year legislation	106,150	(482)	106,395	237	0	1.5
TOTAL	\$23,072,944	\$3,264,481	\$19,691,473	\$116,990	\$0	419.5
INCREASE/(DECREASE)	\$1,262,077	\$113,188	\$1,145,465	\$3,424	\$0	9.5
Percentage Change	5.8%	3.6%	6.2%	3.0%	0.0%	2.3%
FY 2019-20 EXECUTIVE REQUEST	\$23,072,944	\$3,264,481	\$19,691,473	\$116,990	\$0	419.5
Request Above/(Below) Recommendation	\$0	\$0	\$0	\$0	\$0	(0.0)

OPERATING EXPENSES

This line item funds operating costs, including telecommunications, general office supplies and printing costs.

STATUTORY AUTHORITY: Sections 24-35-105 and 42-2-101, *et seq.*, C.R.S.

REQUEST: The Department requests an appropriation of \$2,785,664 total funds, including \$411,155 General Fund, \$2,364,339 cash funds, and \$10,170 reappropriated funds. The request includes annualization adjustments for the FY 2018-19 DMV staffing request item and for S.B. 18-108 and includes an adjustment for the Department's R5 request item.

RECOMMENDATION: Staff recommends appropriating \$2,785,664 total funds, including \$411,155 General Fund, \$2,364,339 cash funds, and \$10,170 reappropriated funds. The recommendation

includes annualization adjustments to the base appropriation and reflects staff's recommendation on the Department's R5 request item. Adjustments are outlined in the following table.

DIVISION OF MOTOR VEHICLES, DRIVER SERVICES, OPERATING EXPENSES						
	TOTAL FUNDS	GENERAL FUND	CASH FUNDS	REAPPROPRIATED FUNDS	FEDERAL FUNDS	FTE
FY 2018-19 APPROPRIATION						
HB 18-1322 (Long Bill)	\$2,517,127	\$411,155	\$2,095,802	\$10,170	\$0	0.0
Other legislation	\$64,546	\$0	\$64,546	\$0	\$0	0.0
TOTAL	\$2,581,673	\$411,155	\$2,160,348	\$10,170	\$0	0.0
FY 2019-20 RECOMMENDED APPROPRIATION						
FY 2018-19 Appropriation	\$2,581,673	\$411,155	\$2,160,348	\$10,170	\$0	0.0
R5 Division of Motor Vehicles Leased Space	385,990	0	385,990	0	0	0.0
Annualize prior year budget actions	(128,971)	0	(128,971)	0	0	0.0
Annualize prior year legislation	(53,028)	0	(53,028)	0	0	0.0
TOTAL	\$2,785,664	\$411,155	\$2,364,339	\$10,170	\$0	0.0
INCREASE/(DECREASE)	\$203,991	\$0	\$203,991	\$0	\$0	0.0
Percentage Change	7.9%	0.0%	9.4%	0.0%	0.0%	0.0%
FY 2019-20 EXECUTIVE REQUEST	\$2,785,664	\$411,155	\$2,364,339	\$10,170	\$0	0.0
Request Above/(Below) Recommendation	\$0	\$0	\$0	\$0	\$0	0.0

DRIVER'S LICENSE DOCUMENTS

This line item funds all material costs associated with the production of driver's licenses, instructional permits, and identification cards including related security features. The physical driver's license is produced by a third party vendor under contract to the Department, who also mails the document to the customer. The line also provides funding for verification of Social Security information, and verification of an applicant's legal immigration/visa status. In addition to receiving funding from the Licensing Services Cash Fund, this line receives funding for security purposes from the Identification Security Fund.

STATUTORY AUTHORITY: Section 42-2-101, C.R.S.

REQUEST: The Department requests an appropriation of \$7,779,730 cash funds. The request includes an annualization adjustment for S.B. 19-123 (Supplemental) and includes the Department's R4 request item.

RECOMMENDATION: Staff recommends appropriating \$7,779,730 cash funds. The recommendation includes the annualization adjustment to the base appropriation and reflects staff's recommendation on the Department's R4 request item.

DIVISION OF MOTOR VEHICLES, DRIVER SERVICES, DRIVERS LICENSE DOCUMENTS						
	TOTAL FUNDS	GENERAL FUND	CASH FUNDS	REAPPROPRIATED FUNDS	FEDERAL FUNDS	FTE
FY 2018-19 APPROPRIATION						
HB 18-1322 (Long Bill)	\$6,571,858	\$0	\$6,571,858	\$0	\$0	0.0
SB 19-123 (Supplemental)	\$828,360	\$0	\$828,360	\$0	\$0	0.0
TOTAL	\$7,400,218	\$0	\$7,400,218	\$0	\$0	0.0

DIVISION OF MOTOR VEHICLES, DRIVER SERVICES, DRIVERS LICENSE DOCUMENTS						
	TOTAL FUNDS	GENERAL FUND	CASH FUNDS	REAPPROPRIATED FUNDS	FEDERAL FUNDS	FTE
FY 2019-20 RECOMMENDED APPROPRIATION						
FY 2018-19 Appropriation	\$7,400,218	\$0	\$7,400,218	\$0	\$0	0.0
R4 Drivers License Documents	1,207,872	0	1,207,872	0	0	0.0
Annualize prior year legislation	(828,360)	0	(828,360)	0	0	0.0
TOTAL	\$7,779,730	\$0	\$7,779,730	\$0	\$0	0.0
INCREASE/(DECREASE)						
Percentage Change	5.1%	0.0%	5.1%	0.0%	0.0%	0.0%
FY 2019-20 EXECUTIVE REQUEST						
Request Above/(Below) Recommendation	\$0	\$0	\$0	\$0	\$0	0.0

IGNITION INTERLOCK PROGRAM

House Bill 08-1194 requires first time drunk driving offenders to obtain an ignition interlock for their vehicle in order to reinstate their licenses. It increased the driver's license reinstatement fee by \$35 and credited that increase to the newly created "First Time Drunk Driver Offender account". The moneys in the account were to be used to assist those who cannot afford an ignition interlock system to purchase them so they can continue to drive for employment related purposes. The fund also supports high-visibility drunk-driving enforcement actions administered by the Department of Transportation.

STATUTORY AUTHORITY: Section 42-2-125, C.R.S.

REQUEST: The Department requests an appropriation of \$1,253,319 cash funds and 6.9 FTE. The request includes annualization adjustments for salary survey and S.B. 18-200.

RECOMMENDATION: Staff recommends appropriating \$1,253,319 cash funds and 6.9 FTE. The recommendation includes the annualization adjustments. Adjustments are outlined in the following table.

DIVISION OF MOTOR VEHICLES, DRIVER SERVICES, IGNITION INTERLOCK PROGRAM						
	TOTAL FUNDS	GENERAL FUND	CASH FUNDS	REAPPROPRIATED FUNDS	FEDERAL FUNDS	FTE
FY 2018-19 APPROPRIATION						
HB 18-1322 (Long Bill)	\$1,240,450	\$0	\$1,240,450	\$0	\$0	6.9
TOTAL	\$1,240,450	\$0	\$1,240,450	\$0	\$0	6.9
FY 2019-20 RECOMMENDED APPROPRIATION						
FY 2018-19 Appropriation	\$1,240,450	\$0	\$1,240,450	\$0	\$0	6.9
Annualize prior year budget actions	12,304	0	12,304	0	0	0.0
Annualize prior year legislation	565	0	565	0	0	0.0
TOTAL	\$1,253,319	\$0	\$1,253,319	\$0	\$0	6.9
INCREASE/(DECREASE)						
Percentage Change	1.0%	0.0%	1.0%	0.0%	0.0%	0.0%
FY 2019-20 EXECUTIVE REQUEST						
Request Above/(Below) Recommendation	\$0	\$0	\$0	\$0	\$0	0.0

INDIRECT COST ASSESSMENT

This line item reflects the indirect cost assessment for this Division, which is based on the Department and Statewide indirect cost allocation plans. This appropriation reflects administrative support costs for this division provided by the Executive Director's Office and statewide services which are not directly billed. Indirect cost assessments (1) offset General Fund and (2) reflect the full cost of cash-funded programs.

STATUTORY AUTHORITY: Sections 42-2-114.2, 42-2-132, and 24-75-1401, C.R.S.
C.R.S.

REQUEST: The Department requests an appropriation of \$2,419,604 cash funds.

RECOMMENDATION: Staff recommends appropriating \$2,419,604 cash funds, consistent with the Department's indirect cost plan.

DIVISION OF MOTOR VEHICLES, DRIVER SERVICES, INDIRECT COST ASSESSMENT						
	TOTAL FUNDS	GENERAL FUND	CASH FUNDS	REAPPROPRIATED FUNDS	FEDERAL FUNDS	FTE
FY 2018-19 APPROPRIATION						
HB 18-1322 (Long Bill)	\$2,289,223	\$0	\$2,289,223	\$0	\$0	0.0
TOTAL	\$2,289,223	\$0	\$2,289,223	\$0	\$0	0.0
FY 2019-20 RECOMMENDED APPROPRIATION						
FY 2018-19 Appropriation	\$2,289,223	\$0	\$2,289,223	\$0	\$0	0.0
Indirect cost adjustments	130,381	0	130,381	0	0	0.0
TOTAL	\$2,419,604	\$0	\$2,419,604	\$0	\$0	0.0
INCREASE/(DECREASE)	\$130,381	\$0	\$130,381	\$0	\$0	0.0
Percentage Change	5.7%	0.0%	5.7%	0.0%	0.0%	0.0%
FY 2019-20 EXECUTIVE REQUEST	\$2,419,604	\$0	\$2,419,604	\$0	\$0	0.0
Request Above/(Below) Recommendation	\$0	\$0	\$0	\$0	\$0	0.0

(C) VEHICLE SERVICES

The Vehicle Services subgroup includes the following programs: Titles, Registrations, Motor Insurance Identification Database (MIIDB), and Vehicle Emissions.

The **Titles Program** oversees titling of vehicles by the Department's authorized agents, the county clerks in each county in the state. It also maintains an inventory of license plates and is the agency that orders and distributes license plates to the counties. The **Registration Program** is operationally managed alongside the Titles Program. This program coordinates vehicle registration and license plate issuance activities through the 64 county clerks throughout the state and orders and monitors inventory of license plates and related products.

PERSONAL SERVICES

This line item pays for program staff salary and contract services. Typical adjustments that occur each year include annualization of salary increases and performance awards granted in the prior fiscal year and common policy base reductions.

STATUTORY AUTHORITY: Sections 24-50-101, *et seq.*, 42-4-301, and 42-7-601, *et seq.*, C.R.S.

REQUEST: The Department requests an appropriation of \$3,130,189 total funds, including \$483,164 General Fund and \$2,647,025 cash funds, and 55.0 FTE. The request includes annualization adjustments for salary survey and S.B. 18-200.

RECOMMENDATION: Staff recommends appropriating \$3,130,189 total funds, including \$483,164 General Fund and \$2,647,025 cash funds, and 55.0 FTE. The recommendation includes the annualization adjustments. Adjustments are outlined in the following table.

DIVISION OF MOTOR VEHICLES, VEHICLE SERVICES, PERSONAL SERVICES						
	TOTAL FUNDS	GENERAL FUND	CASH FUNDS	REAPPROPRIATED FUNDS	FEDERAL FUNDS	FTE
FY 2018-19 APPROPRIATION						
HB 18-1322 (Long Bill)	\$3,031,998	\$466,605	\$2,565,393	\$0	\$0	55.0
Other legislation	\$0	\$0	\$0	\$0	\$0	0.0
TOTAL	\$3,031,998	\$466,605	\$2,565,393	\$0	\$0	55.0
FY 2019-20 RECOMMENDED APPROPRIATION						
FY 2018-19 Appropriation	\$3,031,998	\$466,605	\$2,565,393	\$0	\$0	55.0
Annualize prior year budget actions	90,530	16,559	73,971	0	0	0.0
Annualize prior year legislation	7,661	0	7,661	0	0	0.0
TOTAL	\$3,130,189	\$483,164	\$2,647,025	\$0	\$0	55.0
INCREASE/(DECREASE)	\$98,191	\$16,559	\$81,632	\$0	\$0	0.0
Percentage Change	3.2%	3.5%	3.2%	0.0%	0.0%	0.0%
FY 2019-20 EXECUTIVE REQUEST	\$3,130,189	\$483,164	\$2,647,025	\$0	\$0	55.0
Request Above/(Below) Recommendation	\$0	\$0	\$0	\$0	\$0	0.0

OPERATING EXPENSES

This line item funds operating costs, including telecommunications, general office supplies and printing costs.

STATUTORY AUTHORITY: Sections 24-35-105, 42-4-301, and 42-7-601, *et seq.*, C.R.S.

REQUEST: The Department requests an appropriation of \$458,752 total funds, including \$26,157 General Fund and \$432,595 cash funds. The request includes annualization adjustments for the FY 2018-19 DRIVES production support request item and for H.B. 18-1042.

RECOMMENDATION: Staff recommends appropriating \$458,752 total funds, including \$26,157 General Fund and \$432,595 cash funds. The recommendation includes the annualization adjustments. Adjustments are outlined in the following table.

DIVISION OF MOTOR VEHICLES, VEHICLE SERVICES, OPERATING EXPENSES						
	TOTAL FUNDS	GENERAL FUND	CASH FUNDS	REAPPROPRIATED FUNDS	FEDERAL FUNDS	FTE
FY 2018-19 APPROPRIATION						
HB 18-1322 (Long Bill)	\$482,267	\$26,157	\$456,110	\$0	\$0	0.0
Other legislation	\$10,125	\$10,125	\$0	\$0	\$0	0.0
TOTAL	\$492,392	\$36,282	\$456,110	\$0	\$0	0.0
FY 2019-20 RECOMMENDED APPROPRIATION						
FY 2018-19 Appropriation	\$492,392	\$36,282	\$456,110	\$0	\$0	0.0
Annualize prior year budget actions	(23,515)	0	(23,515)	0	0	0.0
Annualize prior year legislation	(10,125)	(10,125)	0	0	0	0.0
TOTAL	\$458,752	\$26,157	\$432,595	\$0	\$0	0.0
INCREASE/(DECREASE)	(\$33,640)	(\$10,125)	(\$23,515)	\$0	\$0	0.0
Percentage Change	(6.8%)	(27.9%)	(5.2%)	0.0%	0.0%	0.0%
FY 2019-20 EXECUTIVE REQUEST						
Request Above/(Below) Recommendation	\$0	\$0	\$0	\$0	\$0	0.0

LICENSE PLATE ORDERING

This line item funds payments to the Department of Correction, Correctional Industries for producing and distributing license plates, permits, placards, tabs, and other related items. These products are distributed to the State's 64 counties and the State offices for timely distribution to customers. The funding comes from the License Plate Cash Fund, which is funded by fees charged for license plates and associated products. The General Fund appropriation is provided to replace foregone revenue on plates and products for which the Division does not collect fees, pursuant to Section 42-3-213, C.R.S.

STATUTORY AUTHORITY: Sections 17-24-109 and 42-3-301, C.R.S.

REQUEST: The Department requests an appropriation of \$10,209,461 total funds, including \$216,315 General Fund and \$9,993,146 cash funds. The request includes adjustments for the annualization of six bills (H.B. 18-1012, H.B. 18-1110, H.B. 18-1212, H.B. 18-1244, H.B. 18-1255, and H.B. 18-1285).

RECOMMENDATION: Staff recommends appropriating \$10,209,461 total funds, including \$216,315 General Fund and \$9,993,146 cash funds. The recommendation includes the annualization adjustments. Adjustments are outlined in the following table.

DIVISION OF MOTOR VEHICLES, VEHICLE SERVICES, LICENSE PLATE ORDERING						
	TOTAL FUNDS	GENERAL FUND	CASH FUNDS	REAPPROPRIATED FUNDS	FEDERAL FUNDS	FTE
FY 2018-19 APPROPRIATION						
HB 18-1322 (Long Bill)	\$10,197,124	\$216,315	\$9,980,809	\$0	\$0	0.0
Other legislation	\$21,118	\$9,870	\$11,248	\$0	\$0	0.0
TOTAL	\$10,218,242	\$226,185	\$9,992,057	\$0	\$0	0.0
FY 2019-20 RECOMMENDED APPROPRIATION						
FY 2018-19 Appropriation	\$10,218,242	\$226,185	\$9,992,057	\$0	\$0	0.0
Annualize prior year legislation	(8,781)	(9,870)	1,089	0	0	0.0
TOTAL	\$10,209,461	\$216,315	\$9,993,146	\$0	\$0	0.0

DIVISION OF MOTOR VEHICLES, VEHICLE SERVICES, LICENSE PLATE ORDERING						
	TOTAL FUNDS	GENERAL FUND	CASH FUNDS	REAPPROPRIATED FUNDS	FEDERAL FUNDS	FTE
INCREASE/(DECREASE)	(\$8,781)	(\$9,870)	\$1,089	\$0	\$0	0.0
Percentage Change	(0.1%)	(4.4%)	0.0%	0.0%	0.0%	0.0%
FY 2019-20 EXECUTIVE REQUEST	\$10,209,461	\$216,315	\$9,993,146	\$0	\$0	0.0
Request Above/(Below) Recommendation	\$0	\$0	\$0	\$0	\$0	0.0

MOTORIST INSURANCE IDENTIFICATION DATABASE PROGRAM

This program helps law enforcement officials verify owner compliance with motor vehicle insurance requirements and authorizes administrative suspension of driver's licenses that are held by motorists suspected of being uninsured. A \$0.10 motorist insurance identification fee is credited to the Motorist Insurance Identification (MII) Account, a special purpose account within the Highway Users Tax Fund (HUTF), whenever a motor vehicle is registered. All funding for the program is from the MII Account.

STATUTORY AUTHORITY: Section 42-7-601, *et seq.*, C.R.S.

REQUEST: The Department requests an appropriation of \$340,155 cash funds and 1.0 FTE. The request includes annualization adjustments for salary survey and S.B. 18-200.

RECOMMENDATION: Staff recommends appropriating an adjusted base appropriation of \$340,155 cash funds and 1.0 FTE. The recommendation includes annualization adjustments. Adjustments are outlined in the following table.

DIVISION OF MOTOR VEHICLES, VEHICLE SERVICES, MOTORIST INSURANCE IDENTIFICATION DATABASE PROGRAM						
	TOTAL FUNDS	GENERAL FUND	CASH FUNDS	REAPPROPRIATED FUNDS	FEDERAL FUNDS	FTE
FY 2018-19 APPROPRIATION						
HB 18-1322 (Long Bill)	\$338,255	\$0	\$338,255	\$0	\$0	1.0
TOTAL	\$338,255	\$0	\$338,255	\$0	\$0	1.0
FY 2019-20 RECOMMENDED APPROPRIATION						
FY 2018-19 Appropriation	\$338,255	\$0	\$338,255	\$0	\$0	1.0
Annualize prior year budget actions	1,737	0	1,737	0	0	0.0
Annualize prior year legislation	163	0	163	0	0	0.0
TOTAL	\$340,155	\$0	\$340,155	\$0	\$0	1.0
INCREASE/(DECREASE)	\$1,900	\$0	\$1,900	\$0	\$0	0.0
Percentage Change	0.6%	0.0%	0.6%	0.0%	0.0%	0.0%
FY 2019-20 EXECUTIVE REQUEST	\$340,155	\$0	\$340,155	\$0	\$0	1.0
Request Above/(Below) Recommendation	\$0	\$0	\$0	\$0	\$0	0.0

EMISSIONS PROGRAM

This program conducts inspections of emissions stations to ensure compliance with vehicle emissions testing standards under the Automobile Inspection and Readjustment (AIR) program. Staff is responsible for licensing all emissions stations and inspectors, and overseeing station operations to prevent fraud and abuse. All funding for the program is from the AIR account, a subaccount of the Highway Users Tax Fund.

STATUTORY AUTHORITY: Section 42-4-301, C.R.S.

REQUEST: The Department requests an appropriation of \$1,303,989 cash funds and 15.0 FTE. The request includes annualization adjustments for salary survey and S.B. 18-200.

RECOMMENDATION: Staff recommends appropriating \$1,303,989 cash funds and 15.0 FTE. The recommendation includes annualization adjustments. Adjustments are outlined in the following table.

DIVISION OF MOTOR VEHICLES, VEHICLE SERVICES, EMISSIONS PROGRAM						
	TOTAL FUNDS	GENERAL FUND	CASH FUNDS	REAPPROPRIATED FUNDS	FEDERAL FUNDS	FTE
FY 2018-19 APPROPRIATION						
HB 18-1322 (Long Bill)	\$1,275,174	\$0	\$1,275,174	\$0	\$0	15.0
TOTAL	\$1,275,174	\$0	\$1,275,174	\$0	\$0	15.0
FY 2019-20 RECOMMENDED APPROPRIATION						
FY 2018-19 Appropriation	\$1,275,174	\$0	\$1,275,174	\$0	\$0	15.0
Annualize prior year budget actions	26,780	0	26,780	0	0	0.0
Annualize prior year legislation	2,035	0	2,035	0	0	0.0
TOTAL	\$1,303,989	\$0	\$1,303,989	\$0	\$0	15.0
INCREASE/(DECREASE)	\$28,815	\$0	\$28,815	\$0	\$0	0.0
Percentage Change	2.3%	0.0%	2.3%	0.0%	0.0%	0.0%
FY 2019-20 EXECUTIVE REQUEST	\$1,303,989	\$0	\$1,303,989	\$0	\$0	15.0
Request Above/(Below) Recommendation	\$0	\$0	\$0	\$0	\$0	0.0

INDIRECT COST ASSESSMENT

This line item reflects the indirect cost assessment for this Division, which is based on the Department and Statewide indirect cost allocation plans. This appropriation reflects administrative support costs for this division provided by the Executive Director's Office and statewide services which are not directly billed. Indirect cost assessments (1) offset General Fund and (2) reflect the full cost of cash-funded programs.

STATUTORY AUTHORITY: Section 24-75-1401, C.R.S.

REQUEST: The Department requests an appropriation of \$429,074 cash funds.

RECOMMENDATION: Staff recommends appropriating \$429,074 cash funds, consistent with the Department's indirect cost plan.

DIVISION OF MOTOR VEHICLES, VEHICLE SERVICES, INDIRECT COST ASSESSMENT						
	TOTAL FUNDS	GENERAL FUND	CASH FUNDS	REAPPROPRIATED FUNDS	FEDERAL FUNDS	FTE
FY 2018-19 APPROPRIATION						
HB 18-1322 (Long Bill)	\$382,961	\$0	\$382,961	\$0	\$0	0.0
TOTAL	\$382,961	\$0	\$382,961	\$0	\$0	0.0
FY 2019-20 RECOMMENDED APPROPRIATION						
FY 2018-19 Appropriation	\$382,961	\$0	\$382,961	\$0	\$0	0.0
Indirect cost adjustments	46,113	0	46,113	0	0	0.0
TOTAL	\$429,074	\$0	\$429,074	\$0	\$0	0.0
INCREASE/(DECREASE)	\$46,113	\$0	\$46,113	\$0	\$0	0.0
Percentage Change	12.0%	0.0%	12.0%	0.0%	0.0%	0.0%
FY 2019-20 EXECUTIVE REQUEST	\$429,074	\$0	\$429,074	\$0	\$0	0.0
Request Above/(Below) Recommendation	\$0	\$0	\$0	\$0	\$0	0.0

(5) ENFORCEMENT BUSINESS GROUP

This group regulates and enforces laws related to: limited gaming; the State's liquor wholesalers and retailers and tobacco retailers; licenses liquor retailers, wholesalers, and manufacturers; issues alcohol licenses for special events; regulates live horse racing events and pari-mutuel wagering (including off-track simulcast establishments); regulates and licenses the motor vehicle dealer industry; and licenses and regulates the marijuana industry.

ENFORCEMENT BUSINESS GROUP					
	TOTAL FUNDS	GENERAL FUND	CASH FUNDS	REAPPROPRIATED FUNDS	FTE
FY 2018-19 Appropriation					
HB 18-1322 (Long Bill)	\$56,989,294	\$186,090	\$56,468,637	\$334,567	274.6
Other legislation	85,627	0	85,627	0	1.0
TOTAL	\$57,074,921	\$186,090	\$56,554,264	\$334,567	275.6
FY 2019-20 RECOMMENDED APPROPRIATION					
FY 2018-19 Appropriation	\$57,074,921	\$186,090	\$56,554,264	\$334,567	275.6
R7 Marijuana Enforcement Division Operations	1,949,563	0	1,949,563	0	8.0
Technical adjustments	868,667	0	868,667	0	1.0
Annualize prior year budget actions	487,636	3,859	483,777	0	0.0
Annualize prior year legislation	25,566	345	25,221	0	0.0
Indirect cost adjustments	(17,286)	0	(17,286)	0	0.0
TOTAL	\$60,389,067	\$190,294	\$59,864,206	\$334,567	284.6
INCREASE/(DECREASE)	\$3,314,146	\$4,204	\$3,309,942	\$0	9.0
Percentage Change	5.8%	2.3%	5.9%	0.0%	3.3%
FY 2019-20 EXECUTIVE REQUEST					
Request Above/(Below) Recommendation	\$0	\$0	\$0	\$0	0.0

DECISION ITEMS - ENFORCEMENT BUSINESS GROUP (NONE)

Decision items for changes to this division are addressed in the Department section.

LINE ITEM DETAIL - ENFORCEMENT BUSINESS GROUP

(A) ADMINISTRATION

The Enforcement Business Group's administrative functions are contained in this separate long bill group, which contains senior management, budget, and support functions of the Enforcement Business Group.

PERSONAL SERVICES

This line item pays for program staff salary and contract services. Typical adjustments that occur each year include annualization of salary increases and performance awards granted in the prior fiscal year and common policy base reductions.

STATUTORY AUTHORITY: Section 24-50-101 *et seq.*, C.R.S.

REQUEST: The Department requests an appropriation of \$996,136 total funds, including \$7,524 General Fund, \$658,983 cash funds, and \$329,629 reappropriated funds, and 10.0 FTE. The request includes annualization adjustments for salary survey and S.B. 18-200.

RECOMMENDATION: Staff recommends appropriating \$996,136 total funds, including \$7,524 General Fund, \$658,983 cash funds, and \$329,629 reappropriated funds, and 10.0 FTE. The recommendation includes the annualization adjustments. Adjustments are outlined in the following table.

ENFORCEMENT BUSINESS GROUP, ADMINISTRATION, PERSONAL SERVICES						
	TOTAL FUNDS	GENERAL FUND	CASH FUNDS	REAPPROPRIATED FUNDS	FEDERAL FUNDS	FTE
FY 2018-19 APPROPRIATION						
HB 18-1322 (Long Bill)	\$980,001	\$7,407	\$642,965	\$329,629	\$0	10.0
TOTAL	\$980,001	\$7,407	\$642,965	\$329,629	\$0	10.0
FY 2019-20 RECOMMENDED APPROPRIATION						
FY 2018-19 Appropriation	\$980,001	\$7,407	\$642,965	\$329,629	\$0	10.0
Annualize prior year budget actions	14,303	117	14,186	0	0	0.0
Annualize prior year legislation	1,832	0	1,832	0	0	0.0
TOTAL	\$996,136	\$7,524	\$658,983	\$329,629	\$0	10.0
INCREASE/(DECREASE)	\$16,135	\$117	\$16,018	\$0	\$0	0.0
Percentage Change	1.6%	1.6%	2.5%	0.0%	0.0%	0.0%
FY 2019-20 EXECUTIVE REQUEST	\$996,136	\$7,524	\$658,983	\$329,629	\$0	10.0
Request Above/(Below) Recommendation	\$0	\$0	\$0	\$0	\$0	0.0

OPERATING EXPENSES

This line item funds operating costs, including telecommunications, general office supplies and printing costs.

STATUTORY AUTHORITY: Section 24-35-105, C.R.S.

REQUEST: The Department requests a continuation appropriation of \$14,680 total funds, including \$111 General Fund, \$9,631 cash funds, and \$4,938 reappropriated funds.

RECOMMENDATION: Staff recommends appropriating \$14,680 total funds, including \$111 General Fund, \$9,631 cash funds, and \$4,938 reappropriated funds.

(B) LIMITED GAMING DIVISION

This division licenses, regulates, and supervises any devices, persons, locations, and activities related to limited gaming in the cities of Black Hawk, Central City, and Cripple Creek. This includes conducting background checks on gaming license applicants, patrolling casinos to observe potential violations of gaming laws, and conducting audits to verify that regulated businesses remit the proper amount of gaming taxes.

The Colorado Limited Gaming Commission has the constitutional authority to allocate funds for the Division; funding is not subject to appropriation by the General Assembly. Thus, the appropriations for this Division are shown for informational purposes. The Commission has generally adopted the Committee's common policies where applicable. The source of cash funds is the Limited Gaming Fund

The Division's direct costs for Health, Life, and Dental and Short-term Disability Insurance, Amortization Equalization and Supplemental Amortization Equalization Disbursements, Worker's Compensation, Legal Services, Payment to Risk Management and Property Funds, Vehicle Lease Payments, and Leased Space for Gaming Site Offices are included in the Executive Director's Office centrally-appropriated budget lines.

PERSONAL SERVICES

This line item pays for program staff salary and contract services. Typical adjustments that occur each year include annualization of salary increases and performance awards granted in the prior fiscal year and common policy base reductions.

STATUTORY AUTHORITY: Section 12-47.1-201, *et seq.*, C.R.S.

REQUEST: The Department's request reflects an informational appropriation of \$7,538,438 cash funds and 90.0 FTE. The adjustments include annualizations for salary survey and S.B. 18-200 and a Limited Gaming continuous appropriation adjustment.

RECOMMENDATION: Staff recommends reflecting an appropriation of \$7,538,438 cash funds and 90.0 FTE. The recommended informational appropriation includes annualization and technical adjustments. Adjustments are outlined in the following table.

ENFORCEMENT BUSINESS GROUP, LIMITED GAMING DIVISION, PERSONAL SERVICES						
	TOTAL FUNDS	GENERAL FUND	CASH FUNDS	REAPPROPRIATED FUNDS	FEDERAL FUNDS	FTE
FY 2018-19 APPROPRIATION						
HB 18-1322 (Long Bill)	\$6,937,637	\$0	\$6,937,637	\$0	\$0	89.0
TOTAL	\$6,937,637	\$0	\$6,937,637	\$0	\$0	89.0
FY 2019-20 RECOMMENDED APPROPRIATION						
FY 2018-19 Appropriation	\$6,937,637	\$0	\$6,937,637	\$0	\$0	89.0
Technical adjustments	423,746	0	423,746	0	0	1.0
Annualize prior year budget actions	162,417	0	162,417	0	0	0.0
Annualize prior year legislation	14,638	0	14,638	0	0	0.0
TOTAL	\$7,538,438	\$0	\$7,538,438	\$0	\$0	90.0
INCREASE/(DECREASE)	\$600,801	\$0	\$600,801	\$0	\$0	1.0
Percentage Change	8.7%	0.0%	8.7%	0.0%	0.0%	1.1%
FY 2019-20 EXECUTIVE REQUEST	\$7,538,438	\$0	\$7,538,438	\$0	\$0	90.0
Request Above/(Below) Recommendation	\$0	\$0	\$0	\$0	\$0	(0.0)

OPERATING EXPENSES

This line item funds operating costs, including telecommunications, general office supplies, and printing costs.

STATUTORY AUTHORITY: Section 12-47.1-201, *et seq.*, C.R.S.

REQUEST: The Department request reflects an informational appropriation of \$1,028,110 cash funds. The request includes a Limited Gaming continuous appropriation adjustment.

RECOMMENDATION: Staff recommends reflecting an informational appropriation of \$1,028,110 cash funds. The recommendation includes the technical adjustment. Adjustments are outlined in the following table.

ENFORCEMENT BUSINESS GROUP, LIMITED GAMING DIVISION, OPERATING EXPENSES						
	TOTAL FUNDS	GENERAL FUND	CASH FUNDS	REAPPROPRIATED FUNDS	FEDERAL FUNDS	FTE
FY 2018-19 APPROPRIATION						
HB 18-1322 (Long Bill)	\$1,022,457	\$0	\$1,022,457	\$0	\$0	0.0
TOTAL	\$1,022,457	\$0	\$1,022,457	\$0	\$0	0.0
FY 2019-20 RECOMMENDED APPROPRIATION						
FY 2018-19 Appropriation	\$1,022,457	\$0	\$1,022,457	\$0	\$0	0.0
Technical adjustments	5,653	0	5,653	0	0	0.0
TOTAL	\$1,028,110	\$0	\$1,028,110	\$0	\$0	0.0
INCREASE/(DECREASE)	\$5,653	\$0	\$5,653	\$0	\$0	0.0
Percentage Change	0.6%	0.0%	0.6%	0.0%	0.0%	0.0%
FY 2019-20 EXECUTIVE REQUEST	\$1,028,110	\$0	\$1,028,110	\$0	\$0	0.0
Request Above/(Below) Recommendation	\$0	\$0	\$0	\$0	\$0	0.0

PAYMENTS TO OTHER STATE AGENCIES

This line item funds the costs associated with other state agencies performing work for the Limited Gaming Division. These agencies include the Colorado State Patrol, Colorado Bureau of Investigations, Division of Fire Safety, and Department of Local Affairs.

STATUTORY AUTHORITY: Sections 12-47.1-1601, *et seq.*, C.R.S.

REQUEST: The Department request reflects an informational appropriation of \$4,936,279 cash funds. The request includes a Limited Gaming continuous appropriation adjustment.

RECOMMENDATION: Staff recommends reflecting an informational appropriation of \$4,936,279 cash funds. The recommendation includes the technical adjustment. Adjustments are outlined in the following table.

ENFORCEMENT BUSINESS GROUP, LIMITED GAMING DIVISION, PAYMENTS TO OTHER STATE AGENCIES						
	TOTAL FUNDS	GENERAL FUND	CASH FUNDS	REAPPROPRIATED FUNDS	FEDERAL FUNDS	FTE
FY 2018-19 APPROPRIATION						
HB 18-1322 (Long Bill)	\$4,497,011	\$0	\$4,497,011	\$0	\$0	0.0
TOTAL	\$4,497,011	\$0	\$4,497,011	\$0	\$0	0.0
FY 2019-20 RECOMMENDED APPROPRIATION						
FY 2018-19 Appropriation	\$4,497,011	\$0	\$4,497,011	\$0	\$0	0.0
Technical adjustments	439,268	0	439,268	0	0	0.0
TOTAL	\$4,936,279	\$0	\$4,936,279	\$0	\$0	0.0
INCREASE/(DECREASE)	\$439,268	\$0	\$439,268	\$0	\$0	0.0
Percentage Change	9.8%	0.0%	9.8%	0.0%	0.0%	0.0%
FY 2019-20 EXECUTIVE REQUEST	\$4,936,279	\$0	\$4,936,279	\$0	\$0	0.0
Request Above/(Below) Recommendation	\$0	\$0	\$0	\$0	\$0	0.0

DISTRIBUTION TO GAMING CITIES AND COUNTIES

The Distribution to Gaming Cities and Counties line item reflects the net proceeds distribution of Limited Gaming Funds to eligible counties and cities, including Gilpin and Teller counties, and the Cities of Black Hawk, Central City, and Cripple Creek. The Constitutional provisions provide directions as to the distribution of revenues: funding for historic preservation in the three gaming cities as well as statewide funding for the host cities and counties for the impacts of gaming, and the General Fund for state impacts.

Actual expenditures reflected in the numbers pages appear to greatly exceed the appropriations for those years. The Office of the Controller accounts for all distributions, such as to the State Historical Society and other funds, through this line item, but codes each category differently. Distributions to the limited gaming cities and counties are coded as expenditures, while transfers to the State Historical Society and other transfers are coded as transfers. This makes the line item appear to be over-expended, while the actual expenditures are well within the informational appropriation.

STATUTORY AUTHORITY: Section 9, Article XVIII, Colorado Constitution and Section 12-47.1-701, *et seq.*, C.R.S.

REQUEST: The Department request reflects a continuation informational appropriation of \$23,788,902 cash funds.

RECOMMENDATION: Staff recommends reflecting an informational appropriation of \$23,788,902 cash funds.

INDIRECT COST ASSESSMENT

This line item reflects the indirect cost assessment for this Division, which is based on the Department and Statewide indirect cost allocation plans. This appropriation reflects administrative support costs for this division provided by the Executive Director's Office and statewide services which are not

directly billed. Indirect cost assessments (1) offset General Fund and (2) reflect the full cost of cash-funded programs.

STATUTORY AUTHORITY: Section 24-75-1401, C.R.S.

REQUEST: The Department request reflects an informational appropriation of \$578,358 cash funds.

RECOMMENDATION: Staff recommends reflecting an informational appropriation of \$578,358 cash funds, consistent with the Department's indirect cost plan.

ENFORCEMENT BUSINESS GROUP, LIMITED GAMING DIVISION, INDIRECT COST ASSESSMENT						
	TOTAL FUNDS	GENERAL FUND	CASH FUNDS	REAPPROPRIATED FUNDS	FEDERAL FUNDS	FTE
FY 2018-19 APPROPRIATION						
HB 18-1322 (Long Bill)	\$583,285	\$0	\$583,285	\$0	\$0	0.0
TOTAL	\$583,285	\$0	\$583,285	\$0	\$0	0.0
FY 2019-20 RECOMMENDED APPROPRIATION						
FY 2018-19 Appropriation	\$583,285	\$0	\$583,285	\$0	\$0	0.0
Indirect cost adjustments	(4,927)	0	(4,927)	0	0	0.0
TOTAL	\$578,358	\$0	\$578,358	\$0	\$0	0.0
INCREASE/(DECREASE)	(\$4,927)	\$0	(\$4,927)	\$0	\$0	0.0
Percentage Change	(0.8%)	0.0%	(0.8%)	0.0%	0.0%	0.0%
FY 2019-20 EXECUTIVE REQUEST	\$578,358	\$0	\$578,358	\$0	\$0	0.0
Request Above/(Below) Recommendation	\$0	\$0	\$0	\$0	\$0	0.0

(C) LIQUOR AND TOBACCO ENFORCEMENT DIVISION

This Division licenses and regulates liquor wholesalers and retailers, licenses special events to serve alcohol, and enforces federal and state laws regarding the sales of liquor and tobacco products to minors. The major sources of funding are the Liquor Enforcement Division and State Licensing Authority Cash Fund, the Tobacco Education Programs Fund, the General Fund and the Reduced Cigarette Ignition Propensity Standards and Firefighter Protection Act Enforcement Fund.

PERSONAL SERVICES

This line item pays for program staff salary and contract services. Typical adjustments that occur each year include annualization of salary increases and performance awards granted in the prior fiscal year and common policy base reductions.

STATUTORY AUTHORITY: Section 24-35-401, *et seq.*, C.R.S.

REQUEST: The Department requests an appropriation of \$2,821,117 total funds, including \$175,694 General Fund and \$2,645,423 cash funds, and 32.5 FTE. The request includes annualization adjustments for salary survey and S.B. 18-200.

RECOMMENDATION: Staff recommends appropriating \$2,821,117 total funds, including \$175,694 General Fund and \$2,645,423 cash funds, and 32.5 FTE. The recommendation includes the annualization adjustments. Adjustments are outlined in the following table.

ENFORCEMENT BUSINESS GROUP, LIQUOR AND TOBACCO ENFORCEMENT DIVISION, PERSONAL SERVICES						
	TOTAL FUNDS	GENERAL FUND	CASH FUNDS	REAPPROPRIATED FUNDS	FEDERAL FUNDS	FTE
FY 2018-19 APPROPRIATION						
HB 18-1322 (Long Bill)	\$2,697,773	\$171,607	\$2,526,166	\$0	\$0	31.5
Other legislation	\$67,906	\$0	\$67,906	\$0	\$0	1.0
TOTAL	\$2,765,679	\$171,607	\$2,594,072	\$0	\$0	32.5
FY 2019-20 RECOMMENDED APPROPRIATION						
FY 2018-19 Appropriation	\$2,765,679	\$171,607	\$2,594,072	\$0	\$0	32.5
Annualize prior year budget actions	53,828	3,742	50,086	0	0	0.0
Annualize prior year legislation	1,610	345	1,265	0	0	0.0
TOTAL	\$2,821,117	\$175,694	\$2,645,423	\$0	\$0	32.5
INCREASE/(DECREASE)	\$55,438	\$4,087	\$51,351	\$0	\$0	0.0
Percentage Change	2.0%	2.4%	2.0%	0.0%	0.0%	0.0%
FY 2019-20 EXECUTIVE REQUEST	\$2,821,117	\$175,694	\$2,645,423	\$0	\$0	32.5
Request Above/(Below) Recommendation	\$0	\$0	\$0	\$0	\$0	0.0

OPERATING EXPENSES

This line item funds operating costs, including telecommunications, general office supplies and printing costs.

STATUTORY AUTHORITY: Section 24-35-401, *et seq.*, C.R.S.

REQUEST: The Department requests an appropriation of \$155,028 total funds, including \$6,965 General Fund and \$148,063 cash funds. The request includes annualization adjustments for three bills (S.B. 18-036, S.B. 18-243, and H.B. 18-1025).

RECOMMENDATION: Staff recommends appropriating \$155,028 total funds, including \$6,965 General Fund and \$148,063 cash funds. The recommendation includes the annualization adjustments. Adjustments are outlined in the following table.

ENFORCEMENT BUSINESS GROUP, LIQUOR AND TOBACCO ENFORCEMENT DIVISION, OPERATING EXPENSES						
	TOTAL FUNDS	GENERAL FUND	CASH FUNDS	REAPPROPRIATED FUNDS	FEDERAL FUNDS	FTE
FY 2018-19 APPROPRIATION						
HB 18-1322 (Long Bill)	\$153,091	\$6,965	\$146,126	\$0	\$0	0.0
Other legislation	\$17,721	\$0	\$17,721	\$0	\$0	0.0
TOTAL	\$170,812	\$6,965	\$163,847	\$0	\$0	0.0
FY 2019-20 RECOMMENDED APPROPRIATION						
FY 2018-19 Appropriation	\$170,812	\$6,965	\$163,847	\$0	\$0	0.0
Annualize prior year legislation	(15,784)	0	(15,784)	0	0	0.0
TOTAL	\$155,028	\$6,965	\$148,063	\$0	\$0	0.0
INCREASE/(DECREASE)	(\$15,784)	\$0	(\$15,784)	\$0	\$0	0.0

ENFORCEMENT BUSINESS GROUP, LIQUOR AND TOBACCO ENFORCEMENT DIVISION, OPERATING EXPENSES						
	TOTAL FUNDS	GENERAL FUND	CASH FUNDS	REAPPROPRIATED FUNDS	FEDERAL FUNDS	FTE
Percentage Change	(9.2%)	0.0%	(9.6%)	0.0%	0.0%	0.0%
FY 2019-20 EXECUTIVE REQUEST	\$155,028	\$6,965	\$148,063	\$0	\$0	0.0
Request Above/(Below) Recommendation	\$0	\$0	\$0	\$0	\$0	0.0

INDIRECT COST ASSESSMENT

This line item reflects the indirect cost assessment for this Division, which is based on the Department and Statewide indirect cost allocation plans. This appropriation reflects administrative support costs for this division provided by the Executive Director's Office and statewide services which are not directly billed. Indirect cost assessments (1) offset General Fund and (2) reflect the full cost of cash-funded programs.

STATUTORY AUTHORITY: Section 24-75-1401, C.R.S

REQUEST: The Department requests an appropriation of \$198,942 cash funds.

RECOMMENDATION: Staff recommends appropriating \$198,942 cash funds, consistent with the Department's indirect cost plan.

ENFORCEMENT BUSINESS GROUP, LIQUOR AND TOBACCO ENFORCEMENT DIVISION, INDIRECT COST ASSESSMENT						
	TOTAL FUNDS	GENERAL FUND	CASH FUNDS	REAPPROPRIATED FUNDS	FEDERAL FUNDS	FTE
FY 2018-19 APPROPRIATION						
HB 18-1322 (Long Bill)	\$195,180	\$0	\$195,180	\$0	\$0	0.0
TOTAL	\$195,180	\$0	\$195,180	\$0	\$0	0.0
FY 2019-20 RECOMMENDED APPROPRIATION						
FY 2018-19 Appropriation	\$195,180	\$0	\$195,180	\$0	\$0	0.0
Indirect cost adjustments	3,762	0	3,762	0	0	0.0
TOTAL	\$198,942	\$0	\$198,942	\$0	\$0	0.0
INCREASE/(DECREASE)	\$3,762	\$0	\$3,762	\$0	\$0	0.0
Percentage Change	1.9%	0.0%	1.9%	0.0%	0.0%	0.0%
FY 2019-20 EXECUTIVE REQUEST	\$198,942	\$0	\$198,942	\$0	\$0	0.0
Request Above/(Below) Recommendation	\$0	\$0	\$0	\$0	\$0	0.0

(D) DIVISION OF RACING EVENTS

This division regulates greyhound and horse racing events, and supervises pari-mutuel betting at race tracks. It is also responsible for allocating race dates to racing associations, and adopting rules for the supervision of racing events, racing officials, and licenses. The division regulates and oversees one horse racetrack and twelve licensed off-track betting facilities offering simulcast racing from out-of-state venues. The source of funds is the Division of Racing Cash Fund.

PERSONAL SERVICES

This line item pays for program staff salary and contract services. Typical adjustments that occur each year include annualization of salary increases and performance awards granted in the prior fiscal year and common policy base reductions.

STATUTORY AUTHORITY: Sections 12-60-201, *et seq.*, and 12-60-501 *et seq.*, C.R.S.

REQUEST: The Department requests an appropriation of \$952,156 cash funds and 7.7 FTE. The request includes annualization adjustments for salary survey and S.B. 18-200.

RECOMMENDATION: Staff recommends appropriating \$952,156 cash funds and 7.7 FTE. The recommendation includes the annualization adjustments. Adjustments are outlined in the following table.

ENFORCEMENT BUSINESS GROUP, DIVISION OF RACING EVENTS, PERSONAL SERVICES						
	TOTAL FUNDS	GENERAL FUND	CASH FUNDS	REAPPROPRIATED FUNDS	FEDERAL FUNDS	FTE
FY 2018-19 APPROPRIATION						
HB 18-1322 (Long Bill)	\$936,329	\$0	\$936,329	\$0	\$0	7.7
TOTAL	\$936,329	\$0	\$936,329	\$0	\$0	7.7
FY 2019-20 RECOMMENDED APPROPRIATION						
FY 2018-19 Appropriation	\$936,329	\$0	\$936,329	\$0	\$0	7.7
Annualize prior year budget actions	13,752	0	13,752	0	0	0.0
Annualize prior year legislation	2,075	0	2,075	0	0	0.0
TOTAL	\$952,156	\$0	\$952,156	\$0	\$0	7.7
INCREASE/(DECREASE)	\$15,827	\$0	\$15,827	\$0	\$0	0.0
Percentage Change	1.7%	0.0%	1.7%	0.0%	0.0%	0.0%
FY 2019-20 EXECUTIVE REQUEST	\$952,156	\$0	\$952,156	\$0	\$0	7.7
Request Above/(Below) Recommendation	\$0	\$0	\$0	\$0	\$0	0.0

OPERATING EXPENSES

This line item funds operating costs, including telecommunications, general office supplies and printing costs.

STATUTORY AUTHORITY: Sections 12-60-201, *et seq.*, and 12-60-501 *et seq.*, C.R.S.

REQUEST: The Department requests a continuation appropriation of \$220,721 cash funds.

RECOMMENDATION: Staff recommends appropriating \$220,721 cash funds.

PURSES AND BREEDERS AWARDS

This line item represents a pass-through appropriation. The Division does not spend the appropriation associated with this line item. Section 12-60-704, C.R.S., created a trust fund that contains moneys deposited by licensees and operators of in-state simulcast facilities for horse racing. The Racing

Commission promulgates rules that allow for distributions from this fund to owners and breeders of Colorado-bred horses.

The funds available for distribution for this line item are driven by pari-mutuel wagering. Section 12-60-701 (2) (b), C.R.S., provides that the operator of a race track or licensed in-state facility that receives simulcast races shall pay 0.5 percent of the gross receipts of pari-mutuel wagers on win, place, or show, and 1.5 percent of all other pari-mutuel wagers. The moneys deposited under this section are paid into a trust account. The moneys are distributed according to statute and rules established by the racing commission to the breeder associations, whose by-laws govern the distributions.

STATUTORY AUTHORITY: Section 12-60-704, C.R.S.

REQUEST: The Department requests a continuation appropriation of \$1,400,000 cash funds from the Horse Breeders' and Owners' Awards and Supplemental Purse Fund.

RECOMMENDATION: Staff recommends appropriating \$1,400,000 cash funds.

INDIRECT COST ASSESSMENT

This line item reflects the indirect cost assessment for this Division, which is based on the Department and Statewide indirect cost allocation plans. This appropriation reflects administrative support costs for this division provided by the Executive Director's Office and statewide services which are not directly billed. Indirect cost assessments (1) offset General Fund and (2) reflect the full cost of cash-funded programs.

STATUTORY AUTHORITY: Section 24-75-1401, C.R.S

REQUEST: The Department requests an appropriation of \$50,038 cash funds.

RECOMMENDATION: Staff recommends appropriating \$50,038 cash funds, consistent with the Department's indirect cost plan.

ENFORCEMENT BUSINESS GROUP, DIVISION OF RACING EVENTS, INDIRECT COST ASSESSMENT						
	TOTAL FUNDS	GENERAL FUND	CASH FUNDS	REAPPROPRIATED FUNDS	FEDERAL FUNDS	FTE
FY 2018-19 APPROPRIATION						
HB 18-1322 (Long Bill)	\$50,615	\$0	\$50,615	\$0	\$0	0.0
TOTAL	\$50,615	\$0	\$50,615	\$0	\$0	0.0
FY 2019-20 RECOMMENDED APPROPRIATION						
FY 2018-19 Appropriation	\$50,615	\$0	\$50,615	\$0	\$0	0.0
Indirect cost adjustments	(577)	0	(577)	0	0	0.0
TOTAL	\$50,038	\$0	\$50,038	\$0	\$0	0.0
INCREASE/(DECREASE)	(\$577)	\$0	(\$577)	\$0	\$0	0.0
Percentage Change	(1.1%)	0.0%	(1.1%)	0.0%	0.0%	0.0%
FY 2019-20 EXECUTIVE REQUEST	\$50,038	\$0	\$50,038	\$0	\$0	0.0
Request Above/(Below) Recommendation	\$0	\$0	\$0	\$0	\$0	0.0

(E) MOTOR VEHICLE DEALER LICENSING BOARD

The Motor Vehicle Dealer Licensing Board is responsible for licensing and regulation of automobile dealers and salespeople as well as promulgating consumer protection regulations. Additionally, the Board conducts licensing and disciplinary hearings and investigates suspected violations. Sources of cash fund includes fees imposed on the regulated industry.

PERSONAL SERVICES

This line item pays for program staff salary and contract services. Typical adjustments that occur each year include annualization of salary increases and performance awards granted in the prior fiscal year and common policy base reductions.

STATUTORY AUTHORITY: Section 12-6-123, C.R.S.

REQUEST: The Department requests an appropriation of \$2,401,002 cash funds and 32.3 FTE. The request includes annualization adjustments for salary survey and S.B. 18-200.

RECOMMENDATION: Staff recommends appropriating \$2,401,002 cash funds and 32.3 FTE. The recommendation includes the annualization adjustments. Adjustments are outlined in the following table.

ENFORCEMENT BUSINESS GROUP, MOTOR VEHICLE DEALER LICENSING BOARD, PERSONAL SERVICES						
	TOTAL FUNDS	GENERAL FUND	CASH FUNDS	REAPPROPRIATED FUNDS	FEDERAL FUNDS	FTE
FY 2018-19 APPROPRIATION						
HB 18-1322 (Long Bill)	\$2,338,324	\$0	\$2,338,324	\$0	\$0	32.3
TOTAL	\$2,338,324	\$0	\$2,338,324	\$0	\$0	32.3
FY 2019-20 RECOMMENDED APPROPRIATION						
FY 2018-19 Appropriation	\$2,338,324	\$0	\$2,338,324	\$0	\$0	32.3
Annualize prior year budget actions	57,613	0	57,613	0	0	0.0
Annualize prior year legislation	5,065	0	5,065	0	0	0.0
TOTAL	\$2,401,002	\$0	\$2,401,002	\$0	\$0	32.3
INCREASE/(DECREASE)	\$62,678	\$0	\$62,678	\$0	\$0	0.0
Percentage Change	2.7%	0.0%	2.7%	0.0%	0.0%	0.0%
FY 2019-20 EXECUTIVE REQUEST	\$2,401,002	\$0	\$2,401,002	\$0	\$0	32.3
Request Above/(Below) Recommendation	\$0	\$0	\$0	\$0	\$0	0.0

OPERATING EXPENSES

This line item funds operating costs, including telecommunications, general office supplies and printing costs.

STATUTORY AUTHORITY: Section 12-6-123, C.R.S.

REQUEST: The Department requests a continuation appropriation of \$138,691 cash funds.

RECOMMENDATION: Staff recommends appropriating \$138,691 cash funds.

INDIRECT COST ASSESSMENT

This line item reflects the indirect cost assessment for this Division, which is based on the Department and Statewide indirect cost allocation plans. This appropriation reflects administrative support costs for this division provided by the Executive Director's Office and statewide services which are not directly billed. Indirect cost assessments (1) offset General Fund and (2) reflect the full cost of cash-funded programs.

STATUTORY AUTHORITY: Section 24-75-1401, C.R.S

REQUEST: The Department requests an appropriation of \$209,900 cash funds.

RECOMMENDATION: Staff recommends appropriating \$209,900 cash funds, consistent with the Department's indirect cost plan.

ENFORCEMENT BUSINESS GROUP, MOTOR VEHICLE DEALER LICENSING BOARD, INDIRECT COST ASSESSMENT						
	TOTAL FUNDS	GENERAL FUND	CASH FUNDS	REAPPROPRIATED FUNDS	FEDERAL FUNDS	FTE
FY 2018-19 APPROPRIATION						
HB 18-1322 (Long Bill)	\$216,746	\$0	\$216,746	\$0	\$0	0.0
TOTAL	\$216,746	\$0	\$216,746	\$0	\$0	0.0
FY 2019-20 RECOMMENDED APPROPRIATION						
FY 2018-19 Appropriation	\$216,746	\$0	\$216,746	\$0	\$0	0.0
Indirect cost adjustments	(6,846)	0	(6,846)	0	0	0.0
TOTAL	\$209,900	\$0	\$209,900	\$0	\$0	0.0
INCREASE/(DECREASE)	(\$6,846)	\$0	(\$6,846)	\$0	\$0	0.0
Percentage Change	(3.2%)	0.0%	(3.2%)	0.0%	0.0%	0.0%
FY 2019-20 EXECUTIVE REQUEST	\$209,900	\$0	\$209,900	\$0	\$0	0.0
Request Above/(Below) Recommendation	\$0	\$0	\$0	\$0	\$0	0.0

(F) MARIJUANA ENFORCEMENT

The Marijuana Enforcement Division provides regulatory oversight to the retail and medical marijuana industries. It does not have oversight over doctors prescribing marijuana or over the caregiver program. The Division inspects cultivation, storefronts, and processing facilities for compliance with statute and rule. It has rulemaking authority for marijuana regulation. Division funding is paid entirely out of the Marijuana Cash Fund created in Section 12-43.3-501 (1)(a), C.R.S., and not out of the Marijuana Tax Cash Fund.

MARIJUANA ENFORCEMENT

This line item pays for program staff salary and contract services. Typical adjustments that occur each year include annualization of salary increases and performance awards granted in the prior fiscal year

and common policy base reductions. This program line also funds the operating expenses, including telecommunications, general office supplies, and printing costs.

STATUTORY AUTHORITY: Sections 12-43.3-101, *et seq.* and 39-28.8-501, *et seq.*, C.R.S.

REQUEST: The Department requests an appropriation of \$12,163,489 cash funds and 112.1 FTE. The request includes annualization adjustments for salary survey and S.B. 18-200 and includes the Department's R7 request item.

RECOMMENDATION: Staff recommends appropriating \$12,163,489 cash funds and 112.1 FTE. The recommendation includes annualization adjustments to the base appropriation and reflects staff's recommendation on the Department's R7 request item. Adjustments are outlined in the following table.

ENFORCEMENT BUSINESS GROUP, MARIJUANA ENFORCEMENT, MARIJUANA ENFORCEMENT						
	TOTAL FUNDS	GENERAL FUND	CASH FUNDS	REAPPROPRIATED FUNDS	FEDERAL FUNDS	FTE
FY 2018-19 APPROPRIATION						
HB 18-1322 (Long Bill)	\$10,012,073	\$0	\$10,012,073	\$0	\$0	104.1
TOTAL	\$10,012,073	\$0	\$10,012,073	\$0	\$0	104.1
FY 2019-20 RECOMMENDED APPROPRIATION						
FY 2018-19 Appropriation	\$10,012,073	\$0	\$10,012,073	\$0	\$0	104.1
R7 Marijuana Enforcement Division Operations	1,949,563	0	1,949,563	0	0	8.0
Annualize prior year budget actions	185,723	0	185,723	0	0	0.0
Annualize prior year legislation	16,130	0	16,130	0	0	0.0
TOTAL	\$12,163,489	\$0	\$12,163,489	\$0	\$0	112.1
INCREASE/(DECREASE)	\$2,151,416	\$0	\$2,151,416	\$0	\$0	8.0
Percentage Change	21.5%	0.0%	21.5%	0.0%	0.0%	7.7%
FY 2019-20 EXECUTIVE REQUEST	\$12,163,489	\$0	\$12,163,489	\$0	\$0	112.1
Request Above/(Below) Recommendation	\$0	\$0	\$0	\$0	\$0	(0.0)

INDIRECT COST ASSESSMENT

This line item reflects the indirect cost assessment for this Division, which is based on the Department and Statewide indirect cost allocation plans. This appropriation reflects administrative support costs for this division provided by the Executive Director's Office and statewide services which are not directly billed. Indirect cost assessments (1) offset General Fund and (2) reflect the full cost of cash-funded programs.

STATUTORY AUTHORITY: Section 24-75-1401, C.R.S

REQUEST: The Department requests an appropriation of \$797,080 cash funds.

RECOMMENDATION: Staff recommends appropriating \$797,080 cash funds, consistent with the Department's indirect cost plan.

ENFORCEMENT BUSINESS GROUP, MARIJUANA ENFORCEMENT, INDIRECT COST ASSESSMENT						
	TOTAL FUNDS	GENERAL FUND	CASH FUNDS	REAPPROPRIATED FUNDS	FEDERAL FUNDS	FTE
FY 2018-19 APPROPRIATION						
HB 18-1322 (Long Bill)	\$805,778	\$0	\$805,778	\$0	\$0	0.0
TOTAL	\$805,778	\$0	\$805,778	\$0	\$0	0.0
FY 2019-20 RECOMMENDED APPROPRIATION						
FY 2018-19 Appropriation	\$805,778	\$0	\$805,778	\$0	\$0	0.0
Indirect cost adjustments	(8,698)	0	(8,698)	0	0	0.0
TOTAL	\$797,080	\$0	\$797,080	\$0	\$0	0.0
INCREASE/(DECREASE)	(\$8,698)	\$0	(\$8,698)	\$0	\$0	0.0
Percentage Change	(1.1%)	0.0%	(1.1%)	0.0%	0.0%	0.0%
FY 2019-20 EXECUTIVE REQUEST	\$797,080	\$0	\$797,080	\$0	\$0	0.0
Request Above/(Below) Recommendation	\$0	\$0	\$0	\$0	\$0	0.0

(6) STATE LOTTERY DIVISION

The State Lottery Division is a TABOR enterprise under Article X, Section 20, of the Colorado Constitution. Cash funds appropriations are from the Lottery Fund. The Lottery sells scratch lottery and jackpot (PowerBall, MegaMillions, and Lotto) tickets.

Expenses are paid from the Lottery Fund. After expenses of the State Lottery Division, the remainder is distributed to the Conservation Trust Fund, Great Outdoors Colorado, Parks and Outdoor Recreation in the Department of Natural Resources, and the Public School Capital Construction Fund.

The Executive Director of the Department of Revenue has budgetary control over the State Lottery and thus can limit the budget internally. This is the same control the Executive Director has over all areas of the budget for the Department, however, for the State Lottery Division every dollar that is not expended on administering the program is an extra dollar that is included for distributions to State Lottery Fund recipients.

STATE LOTTERY DIVISION				
	TOTAL FUNDS	GENERAL FUND	CASH FUNDS	FTE
FY 2018-19 Appropriation				
HB 18-1322 (Long Bill)	\$102,489,413	\$0	\$102,489,413	117.1
TOTAL	\$102,489,413	\$0	\$102,489,413	117.1
FY 2019-20 RECOMMENDED APPROPRIATION				
FY 2018-19 Appropriation	\$102,489,413	\$0	\$102,489,413	117.1
R3 Lottery Back Office Restructure	2,225,893	0	2,225,893	(2.0)
R6 Lottery Walmart Expansion	5,719,000	0	5,719,000	0.0
Annualize prior year budget actions	209,029	0	209,029	0.0
Annualize prior year legislation	18,499	0	18,499	0.0
Non-prioritized requests	(1,055,020)	0	(1,055,020)	(13.0)
Indirect cost adjustments	(8,566)	0	(8,566)	0.0
TOTAL	\$109,598,248		\$109,598,248	102.1
INCREASE/(DECREASE)	\$7,108,835	\$0	\$7,108,835	(15.0)
Percentage Change	6.9%	0.0%	6.9%	(12.8%)
FY 2019-20 EXECUTIVE REQUEST	\$109,598,248	\$0	\$109,598,248	102.1
Request Above/(Below) Recommendation	\$0		\$0	0.0

DECISION ITEMS - STATE LOTTERY DIVISION

Decision items for changes to this division are addressed in the Department section.

LINE ITEM DETAIL - STATE LOTTERY DIVISION

PERSONAL SERVICES

This line item pays for program staff salary and contract services. Typical adjustments that occur each year include annualization of salary increases and performance awards granted in the prior fiscal year and common policy base reductions.

STATUTORY AUTHORITY: Section 24-35-201, *et seq.*, C.R.S.

REQUEST: The Department requests an appropriation of \$8,715,155 cash funds and 102.1 FTE. The request includes: annualization adjustments for salary survey and S.B. 18-200; a non-prioritized adjustment that consolidates IT staff in OIT; and the Department's R3 request item, which further reduces IT staff.

RECOMMENDATION: Staff recommends appropriating \$8,715,155 cash funds and 102.1 FTE. The recommendation includes the annualization adjustments and reflects staff's recommendation on the Department's R3 request. The non-prioritized request is pending. Staff requests permission to adjust the appropriation as necessary to reflect the Committee's decision.

STATE LOTTERY DIVISION, PERSONAL SERVICES						
	TOTAL FUNDS	GENERAL FUND	CASH FUNDS	REAPPROPRIATED FUNDS	FEDERAL FUNDS	FTE
FY 2018-19 APPROPRIATION						
HB 18-1322 (Long Bill)	\$9,651,554	\$0	\$9,651,554	\$0	\$0	117.1
TOTAL	\$9,651,554	\$0	\$9,651,554	\$0	\$0	117.1
FY 2019-20 RECOMMENDED APPROPRIATION						
FY 2018-19 Appropriation	\$9,651,554	\$0	\$9,651,554	\$0	\$0	117.1
Annualize prior year budget actions	209,029	0	209,029	0	0	0.0
Annualize prior year legislation	18,499	0	18,499	0	0	0.0
Non-prioritized requests	(1,042,670)	0	(1,042,670)	0	0	(13.0)
R3 Lottery Back Office Restructure	(121,257)	0	(121,257)	0	0	(2.0)
TOTAL	\$8,715,155	\$0	\$8,715,155	\$0	\$0	102.1
INCREASE/(DECREASE)	(\$936,399)	\$0	(\$936,399)	\$0	\$0	(15.0)
Percentage Change	(9.7%)	0.0%	(9.7%)	0.0%	0.0%	(12.8%)
FY 2019-20 EXECUTIVE REQUEST	\$8,715,155	\$0	\$8,715,155	\$0	\$0	102.1
Request Above/(Below) Recommendation	\$0	\$0	\$0	\$0	\$0	0.0

OPERATING EXPENSES

This line item funds operating costs, including telecommunications, general office supplies and printing costs.

STATUTORY AUTHORITY: Section 24-35-201, *et seq.*, C.R.S.

REQUEST: The Department requests an appropriation of \$1,177,035 cash funds. The request includes an adjustment for a non-prioritized request item.

RECOMMENDATION: Staff recommends appropriating a base appropriation of \$1,189,385 cash funds, as adjusted by the Committee's decision on the non-prioritized request item. Adjustments are outlined in the following table.

STATE LOTTERY DIVISION, OPERATING EXPENSES						
	TOTAL FUNDS	GENERAL FUND	CASH FUNDS	REAPPROPRIATED FUNDS	FEDERAL FUNDS	FTE
FY 2018-19 APPROPRIATION						
HB 18-1322 (Long Bill)	\$1,189,385	\$0	\$1,189,385	\$0	\$0	0.0
TOTAL	\$1,189,385	\$0	\$1,189,385	\$0	\$0	0.0
FY 2019-20 RECOMMENDED APPROPRIATION						
FY 2018-19 Appropriation	\$1,189,385	\$0	\$1,189,385	\$0	\$0	0.0
Non-prioritized requests	(12,350)	0	(12,350)	0	0	0.0
TOTAL	\$1,177,035	\$0	\$1,177,035	\$0	\$0	0.0
INCREASE/(DECREASE)	(\$12,350)	\$0	(\$12,350)	\$0	\$0	0.0
Percentage Change	(1.0%)	0.0%	(1.0%)	0.0%	0.0%	0.0%
FY 2019-20 EXECUTIVE REQUEST	\$1,177,035	\$0	\$1,177,035	\$0	\$0	0.0
Request Above/(Below) Recommendation	\$0	\$0	\$0	\$0	\$0	0.0

PAYMENTS TO OTHER STATE AGENCIES

This line item funds the costs of various audits, fingerprint and name checks through CBI, and data storage fees provided by the Department of Personnel's, Integrated Document Solutions.

STATUTORY AUTHORITY: Section 24-35-201, *et seq.*, C.R.S.

REQUEST: The Department requests a continuation appropriation of \$239,410 cash funds.

RECOMMENDATION: Staff recommends appropriating \$239,410 cash funds.

TRAVEL

This line item pays for travel expenses including hotel, airfare, per-diem, and reimbursements for personal vehicle use. The Department is requesting a continuation appropriation.

STATUTORY AUTHORITY: Section 24-35-201, *et seq.*, C.R.S.

REQUEST: The Department requests a continuation appropriation of \$113,498 cash funds.

RECOMMENDATION: Staff recommends appropriating \$113,498 cash funds.

MARKETING AND COMMUNICATIONS

This line item is used to reimburse vendors for goods and services related to the marketing, sale, advertising, public relations, consumer awareness, retailer awareness, drawings, customer support, and retailer support of Lottery games and products. These include sponsorships, newspaper and television advertising, promotional coupons, free tickets, Lottery Bucks, and billboards.

STATUTORY AUTHORITY: Section 24-35-201, *et seq.*, C.R.S.

REQUEST: The Department requests a continuation appropriation of \$14,700,000 cash funds.

RECOMMENDATION: Staff recommends appropriating \$14,700,000 cash funds.

MULTI-STATE LOTTERY FEES

This line item is used to pay vendors for goods and services related to administering multi-state games of which Colorado is, or may become, a participating Lottery. These payments include the costs of maintaining compliance with multi-state game rules and policies. These costs vary year to year based on many factors such as per-capita sales of each state participating in a multi-state lottery, the number of states participating, the level of service provided by the multi-state game vendors, changes in multi-state rules and policies, and inflation.

STATUTORY AUTHORITY: Section 24-35-201, *et seq.*, C.R.S.

REQUEST: The Department requests a continuation appropriation of \$177,433 cash funds.

RECOMMENDATION: Staff recommends appropriating \$177,433 cash funds.

VENDOR FEES

This line is used to pay vendors for variable vendor fees and fixed vendor fees.

STATUTORY AUTHORITY: Section 24-35-201, *et seq.*, C.R.S.

REQUEST: The Department requests an appropriation of \$21,314,629 cash funds. The request includes the Department's R3 and R6 request items.

RECOMMENDATION: Staff recommends appropriating \$21,314,629 cash funds. The recommendation reflects staff's recommendations on the Department's R3 and R6 request items. Adjustments are outlined in the following table.

STATE LOTTERY DIVISION, VENDOR FEES						
	TOTAL FUNDS	GENERAL FUND	CASH FUNDS	REAPPROPRIATED FUNDS	FEDERAL FUNDS	FTE
FY 2018-19 APPROPRIATION						
HB 18-1322 (Long Bill)	\$14,269,479	\$0	\$14,269,479	\$0	\$0	0.0
TOTAL	\$14,269,479	\$0	\$14,269,479	\$0	\$0	0.0
FY 2019-20 RECOMMENDED APPROPRIATION						
FY 2018-19 Appropriation	\$14,269,479	\$0	\$14,269,479	\$0	\$0	0.0
R6 Lottery Walmart Expansion	4,698,000	0	4,698,000	0	0	0.0
R3 Lottery Back Office Restructure	2,347,150	0	2,347,150	0	0	0.0
TOTAL	\$21,314,629	\$0	\$21,314,629	\$0	\$0	0.0
INCREASE/(DECREASE)	\$7,045,150	\$0	\$7,045,150	\$0	\$0	0.0
Percentage Change	49.4%	0.0%	49.4%	0.0%	0.0%	0.0%
FY 2019-20 EXECUTIVE REQUEST	\$21,314,629	\$0	\$21,314,629	\$0	\$0	0.0
Request Above/(Below) Recommendation	\$0	\$0	\$0	\$0	\$0	0.0

RETAILER COMPENSATION

These payments are commissions, cashing bonuses, and marketing agreement bonuses to compensate retailers for selling State Lottery products. Retailers are paid a 7.0 percent commission on scratch sales, and a 6.0 percent commission for online sales. The bonus for selling to a PowerBall jackpot winner is \$50,000. Retailers receiving these payments include convenience stores, gas stations, supermarkets, tobacco shops, and liquor stores.

STATUTORY AUTHORITY: Section 24-35-201, *et seq.*, C.R.S.

REQUEST: The Department requests a continuation appropriation of \$55,593,160 cash funds. The request includes the Department's R6 request item.

RECOMMENDATION: Staff recommends appropriating \$55,593,160 cash funds. The recommendation reflects staff's recommendation on the Department's R6 request item. Adjustments are outlined in the following table.

STATE LOTTERY DIVISION, RETAILER COMPENSATION						
	TOTAL FUNDS	GENERAL FUND	CASH FUNDS	REAPPROPRIATED FUNDS	FEDERAL FUNDS	FTE
FY 2018-19 APPROPRIATION						
HB 18-1322 (Long Bill)	\$54,572,160	\$0	\$54,572,160	\$0	\$0	0.0
TOTAL	\$54,572,160	\$0	\$54,572,160	\$0	\$0	0.0
FY 2019-20 RECOMMENDED APPROPRIATION						
FY 2018-19 Appropriation	\$54,572,160	\$0	\$54,572,160	\$0	\$0	0.0
R6 Lottery Walmart Expansion	1,021,000	0	1,021,000	0	0	0.0
TOTAL	\$55,593,160	\$0	\$55,593,160	\$0	\$0	0.0
INCREASE/(DECREASE)	\$1,021,000	\$0	\$1,021,000	\$0	\$0	0.0
Percentage Change	1.9%	0.0%	1.9%	0.0%	0.0%	0.0%
FY 2019-20 EXECUTIVE REQUEST	\$55,593,160	\$0	\$55,593,160	\$0	\$0	0.0
Request Above/(Below) Recommendation	\$0	\$0	\$0	\$0	\$0	0.0

TICKET COSTS

Scratch ticket vendors are paid from this line item for goods and services related to printing scratch tickets. Most of the amount charged to the Lottery is based on a cost per thousand tickets, which is primarily determined by the ticket size, game size, number of colors, and types of inks used and includes design, testing and development, and auditing. The unit cost of tickets is charged to this appropriation as tickets are sold. Additionally, license fees paid for licensed product games are paid separately in addition to the cost per thousand.

STATUTORY AUTHORITY: Section 24-35-201, *et seq.*, C.R.S.

REQUEST: The Department requests a continuation appropriation of \$6,578,000 cash funds.

RECOMMENDATION: Staff recommends appropriating \$6,578,000 cash funds.

RESEARCH

This line funds marketing research on lottery products.

STATUTORY AUTHORITY: Section 24-35-201, *et seq.*, C.R.S.

REQUEST: The Department requests a continuation appropriation of \$250,000 cash funds.

RECOMMENDATION: Staff recommends appropriating \$250,000 cash funds.

INDIRECT COST ASSESSMENT

This line item reflects the indirect cost assessment for this Division, which is based on the Department and Statewide indirect cost allocation plans. This appropriation reflects administrative support costs for this division provided by the Executive Director's Office and statewide services which are not directly billed. Indirect cost assessments (1) offset General Fund and (2) reflect the full cost of cash-funded programs.

STATUTORY AUTHORITY: Section 24-75-1401, C.R.S

REQUEST: The Department requests an appropriation of \$739,928 cash funds.

RECOMMENDATION: Staff recommends appropriating \$739,928 cash funds, consistent with the Department's indirect cost plan.

STATE LOTTERY DIVISION, INDIRECT COST ASSESSMENT						
	TOTAL FUNDS	GENERAL FUND	CASH FUNDS	REAPPROPRIATED FUNDS	FEDERAL FUNDS	FTE
FY 2018-19 APPROPRIATION						
HB 18-1322 (Long Bill)	\$748,494	\$0	\$748,494	\$0	\$0	0.0
TOTAL	\$748,494	\$0	\$748,494	\$0	\$0	0.0
FY 2019-20 RECOMMENDED APPROPRIATION						
FY 2018-19 Appropriation	\$748,494	\$0	\$748,494	\$0	\$0	0.0
Indirect cost adjustments	(8,566)	0	(8,566)	0	0	0.0
TOTAL	\$739,928	\$0	\$739,928	\$0	\$0	0.0
INCREASE/(DECREASE)	(\$8,566)	\$0	(\$8,566)	\$0	\$0	0.0
Percentage Change	(1.1%)	0.0%	(1.1%)	0.0%	0.0%	0.0%
FY 2019-20 EXECUTIVE REQUEST	\$739,928	\$0	\$739,928	\$0	\$0	0.0
Request Above/(Below) Recommendation	\$0	\$0	\$0	\$0	\$0	0.0

LONG BILL FOOTNOTES AND REQUESTS FOR INFORMATION

LONG BILL FOOTNOTES

Staff recommends **DISCONTINUING** the following footnotes:

- 102a Department of Revenue, Taxation Business Group – It is the General Assembly's intent that the Department review its existing resources dedicated to severance tax and provide the Joint Budget Committee with the information requested in the requests for information letter submitted in conjunction with the 2018 long bill.

COMMENT: The JBC staff analyst primarily responsible for severance tax recommends that this footnote and companion RFI be discontinued as it was not intended to be an ongoing request.

- 103 Department of Revenue, Division of Motor Vehicles, Driver Services, Personal Services – The initial fiscal note estimated a total of 66,000 individuals would request an appointment for a S.B. 13-251 document. Continued operations for this program at more than one office are premised on the need to handle the initial surge of applicants. It is the Intent of the General Assembly that once the annual appointments for first-time applicants made available for individuals who are not lawfully present in the United States falls below 5,000 per year or the total persons served reaches 66,000 the Division will reduce the offices that provide the service to one location. Of the amount appropriated to Driver Services, \$1.5 million cash funds are for the Colorado Road and Community Safety Act.

COMMENT: Based on the most recent quarterly report submitted by the Department of Revenue, the Colorado Road and Community Safety Act program, enacted in S.B. 13-251, was estimated to reach 66,000 first-time applicants in February 2019. Having reached the number identified in the footnote, this footnote is no longer necessary.

REQUESTS FOR INFORMATION

Staff recommends **DISCONTINUING** the following requests for information:

- 1 Department of Revenue, Division of Motor Vehicles, Driver Services -- The Department is requested to submit to the Joint Budget Committee by November 1, 2018, an assessment of the additional resources it would need to provide the General Assembly with more specific information related to severance tax and tax credits, exemptions, and deductions taken by severance tax filers for decision making purposes. Additional resources may include, but is not limited to: statutory changes, additional personnel, additional software modules, or software adjustments to GenTax.

COMMENT: The JBC staff analyst primarily responsible for severance tax recommends that this footnote and companion RFI be discontinued as it was not intended to be an ongoing request.

- 2 Department of Revenue, Division of Motor Vehicles, Driver Services -- The Department is requested to submit to the Joint Budget Committee by the first of every quarter, beginning June 30, 2017, a report about the progress made on meeting the demand for services offered under S.B. 13-251, which was estimated at 66,000 individuals. For individuals served who are not lawfully present in the United States, the report should include the number of appointments made available, the number of "no shows" for appointments, the number of appointments that resulted in no document issuance, the number of documents issued, and a justification based in data for why there is a continued need to offer services for individuals who cannot demonstrate a lawful presence in the United States at more than one location. If the number of first time applicants who receive an identification document exceeds 66,000, it is further requested the Department provide written notice to the Joint Budget Committee as soon as practical.

COMMENT: This request for information was tied to the footnote. Staff recommends discontinuing the RFI.

INDIRECT COST ASSESSMENTS

DESCRIPTION OF INDIRECT COST ASSESSMENT METHODOLOGY

The Department of Revenue indirect cost assessment methodology is calculated based on three components: an “*Indirect Cost Pool*”, an “*Indirect Cost Base*”, and an “*Indirect Cost Rate*”.

The *Indirect Cost Pool* is comprised of personal services expenses in the Executive Director's Office. In addition, for business group and divisional indirect costs, the *Indirect Cost Pool* for those divisions consist of personal services and operating expenses in the administration section of those business groups.

The *Indirect Cost Base* is comprised of the appropriations for personal services in each business group or division.

The *Indirect Cost Rate* is calculated either based on the number of FTE and/or the workload, where it can be identified. Because each division and cash fund may have different rates based on the number of FTE or workload, the number of different variations is not included here.

INDIRECT COST POOL

The Indirect Cost Pool is based on the estimated personal services, operating, and utility line items for the requested budget year in the Commissioner's and Administrative Services Office. For FY 2019-20, the Department's Indirect Cost Pool as requested is \$9,367,557. Table 1 outlines which line items are included in the Department's Indirect Cost Pool.

Table 1: Department of Revenue Indirect Cost Pool	
Division	Request
Executive Director's Office	\$9,367,557
FY 2019-20 Indirect Cost Pool	\$9,367,557

INDIRECT COST BASE

The Indirect Cost Base is set equal to the Indirect Cost Pool. Table 2 summarizes the Department's Indirect Cost Base by division.

Table 2: Department of Revenue Indirect Cost Base	
Division and Line Item	Request
(1) EDO (A) Admin, Personal Services	\$763,593
(1) EDO, (B) Hearings, Personal Services	188636
(3) TBG, (A) Admin., Personal Services	31864
(3) TBG, (B) TAC, Personal Services	1499528
(3) TBG, (B) TAC, Mineral Audit	65003
(3) TBG, (C) TPS, Personal Services	891560
(3) TBG, (C) TPS, Fuel Tracking System	9559
(3) TBG, (D) Tax Conferee, Personal Services	86671

Table 2: Department of Revenue Indirect Cost Base

Division and Line Item	Request
(4) DMV, (A) Admin., Personal Services	209666
(4) DMV, (B) Driver Services, Personal Services	2622422
(4) DMV, (B) Driver Services, Ignition Interlock	43973
(4) DMV, (C) Vehicle Services, Personal Services	350506
(4) DMV, (C) VS, Motorist Information Database	6373
(4) DMV, (C) VS, Emissions	95593
(5) EBG, (A) Admin., Personal Services	63726
(5) EBG, (B) Gaming, Personal Services	567182
(5) EBG, (C) Liquor & Tobacco, Personal Services	207117
(5) EBG, (D) Racing, Personal Services	49071
(5) EBG, (F) Dealer Board, Personal Services	205843
(5) EBG, (G) Marijuana, Personal Services	663412
(6) Lottery, Personal Services	746259
Total	\$9,367,557

INDIRECT COST REQUEST

For FY 2019-20 the Department has requested \$9,367,557 for indirect cost assessments. This amount is equal to the Indirect Cost Pool. Table 3 shows the FY 2019-20 Department indirect cost assessment based on the November 1 request for each division.

Department of Revenue Indirect Cost Request

Division	General Fund	Cash Fund	Total
(1) EDO (A) Admin, Personal Services	\$763,593	\$0	\$763,593
(1) EDO, (B) Hearings, Personal Services	0	188,636	188,636
(3) TBG, (A) Admin., Personal Services	30,207	1,657	31,864
(3) TBG, (B) TAC, Personal Services	1,406,931	92,597	1,499,528
(3) TBG, (B) TAC, Mineral Audit	65,003	0	65,003
(3) TBG, (C) TPS, Personal Services	859,568	31,992	891,560
(3) TBG, (C) TPS, Fuel Tracking System	0	9,559	9,559
(3) TBG, (D) Tax Conferee, Personal Services	86,671	0	86,671
(4) DMV, (A) Admin., Personal Services	33,649	176,017	209,666
(4) DMV, (B) DS, Personal Services	393,586	2,228,836	2,622,422
(4) DMV, (B) DS, Ignition Interlock	0	43,973	43,973
(4) DMV, (C) VS, Personal Services	54,233	296,273	350,506
(4) DMV, (C) VS, MIIDB	0	6,373	6,373
(4) DMV, (C) VS, Emissions	0	95,593	95,593
(5) EBG, (A) Admin., Personal Services	21,859	41,867	63,726
(5) EBG, (B) Gaming, Personal Services	0	567,182	567,182
(5) EBG, (C) Liquor & Tobacco, Personal Services	12,873	194,244	207,117
(5) EBG, (D) Racing, Personal Services	0	49,071	49,071
(5) EBG, (F) Dealer Board, Personal Services	0	205,843	205,843
(5) EBG, (G) Marijuana, Personal Services	0	663,412	663,412
(6) Lottery, Personal Services	0	746,259	746,259
Total	\$3,728,173	\$5,639,384	\$9,367,557

JBC Staff Staff Figure Setting - FY 2019-20
Staff Working Document - Does Not Represent Committee Decision

Appendix A: Numbers Pages

	FY 2016-17 Actual	FY 2017-18 Actual	FY 2018-19 Appropriation	FY 2019-20 Request	FY 2019-20 Recommendation
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DEPARTMENT OF REVENUE
Heidi Humphreys, Interim Executive Director

(1) EXECUTIVE DIRECTOR'S OFFICE

(A) Administration and Support

Personal Services	<u>8,861,412</u>	<u>8,569,946</u>	<u>9,634,991</u>	<u>10,354,455</u>	<u>10,449,509</u> *
FTE	119.1	124.1	126.1	132.3	133.3
General Fund	3,182,842	3,221,951	3,680,120	4,575,501	4,670,555
Cash Funds	264,381	146,908	497,691	521,836	521,836
Reappropriated Funds	5,414,189	5,201,087	5,457,180	5,257,118	5,257,118
Health, Life, and Dental	<u>10,731,918</u>	<u>11,848,685</u>	<u>12,699,520</u>	<u>13,180,125</u>	<u>13,188,052</u> *
General Fund	4,417,131	4,692,581	5,065,441	5,267,500	5,275,428
Cash Funds	6,297,694	7,132,434	7,615,882	7,783,699	7,781,758
Reappropriated Funds	17,093	23,670	18,197	34,423	34,422
Federal Funds	0	0	0	94,503	96,444
Short-term Disability	<u>137,294</u>	<u>144,085</u>	<u>137,500</u>	<u>145,098</u>	<u>145,565</u> *
General Fund	58,839	61,768	56,646	57,201	57,479
Cash Funds	78,292	82,147	80,688	86,426	86,611
Reappropriated Funds	163	170	166	257	258
Federal Funds	0	0	0	1,214	1,217

* Line item includes a decision item.

JBC Staff Staff Figure Setting - FY 2019-20
Staff Working Document - Does Not Represent Committee Decision

	FY 2016-17 Actual	FY 2017-18 Actual	FY 2018-19 Appropriation	FY 2019-20 Request	FY 2019-20 Recommendation
S.B. 04-257 Amortization Equalization Disbursement	<u>3,482,946</u>	<u>3,797,608</u>	<u>4,042,418</u>	<u>4,299,101</u>	<u>4,313,217</u> *
General Fund	1,491,518	1,625,206	1,666,122	1,690,877	1,695,426
Cash Funds	1,987,234	2,167,923	2,371,409	2,564,649	2,574,114
Reappropriated Funds	4,194	4,479	4,887	7,628	7,631
Federal Funds	0	0	0	35,947	36,046
S.B. 06-235 Supplemental Amortization Equalization Disbursement	<u>3,446,668</u>	<u>3,797,608</u>	<u>4,042,418</u>	<u>4,299,101</u>	<u>4,313,217</u> *
General Fund	1,475,982	1,625,206	1,666,122	1,690,877	1,695,426
Cash Funds	1,966,535	2,167,923	2,371,409	2,564,649	2,574,114
Reappropriated Funds	4,151	4,479	4,887	7,628	7,631
Federal Funds	0	0	0	35,947	36,046
PERA Direct Distribution	<u>0</u>	<u>0</u>	<u>0</u>	<u>2,218,687</u>	<u>2,218,686</u>
General Fund	0	0	0	850,875	849,711
Cash Funds	0	0	0	1,345,119	1,346,314
Reappropriated Funds	0	0	0	3,965	3,959
Federal Funds	0	0	0	18,728	18,702
Salary Survey	<u>326,822</u>	<u>1,444,882</u>	<u>2,582,782</u>	<u>2,578,134</u>	<u>2,798,869</u>
General Fund	105,296	619,476	1,083,134	1,060,426	1,067,127
Cash Funds	219,611	823,700	1,496,461	1,491,541	1,703,284
Reappropriated Funds	1,915	1,706	3,187	4,903	4,972
Federal Funds	0	0	0	21,264	23,486

* Line item includes a decision item.

JBC Staff Staff Figure Setting - FY 2019-20
Staff Working Document - Does Not Represent Committee Decision

	FY 2016-17 Actual	FY 2017-18 Actual	FY 2018-19 Appropriation	FY 2019-20 Request	FY 2019-20 Recommendation
Merit Pay	<u>0</u>	<u>646,030</u>	<u>0</u>	<u>0</u>	<u>0</u>
General Fund	0	268,996	0	0	0
Cash Funds	0	376,166	0	0	0
Reappropriated Funds	0	868	0	0	0
Federal Funds	0	0	0	0	0
Parental Leave	<u>0</u>	<u>0</u>	<u>0</u>	<u>80,583</u>	<u>80,583</u> *
Cash Funds	0	0	0	80,583	80,583
Shift Differential	<u>124,573</u>	<u>130,712</u>	<u>126,584</u>	<u>114,613</u>	<u>114,613</u>
General Fund	3,500	1,273	0	0	0
Cash Funds	121,073	129,439	126,584	114,613	114,613
Workers' Compensation	<u>1,053,760</u>	<u>985,589</u>	<u>1,085,724</u>	<u>939,970</u>	<u>939,970</u>
General Fund	426,628	397,467	430,129	364,681	364,681
Cash Funds	627,132	588,122	655,595	575,289	575,289
Operating Expenses	<u>1,975,511</u>	<u>2,078,580</u>	<u>2,318,984</u>	<u>2,315,983</u>	<u>2,323,111</u> *
General Fund	1,415,144	1,453,006	1,599,005	1,597,333	1,604,461
Cash Funds	560,367	625,574	719,979	718,650	718,650
Postage	<u>3,172,263</u>	<u>3,090,583</u>	<u>3,133,381</u>	<u>3,191,165</u>	<u>3,191,165</u> *
General Fund	2,816,199	2,749,934	2,840,891	2,848,606	2,848,606
Cash Funds	356,064	340,649	292,490	342,559	342,559
Legal Services	<u>4,227,438</u>	<u>4,218,602</u>	<u>4,370,044</u>	<u>5,420,181</u>	<u>5,420,181</u>
General Fund	2,318,090	2,558,122	2,627,857	3,287,468	3,287,468
Cash Funds	1,909,348	1,660,480	1,742,187	2,132,713	2,132,713

* Line item includes a decision item.

JBC Staff Staff Figure Setting - FY 2019-20
Staff Working Document - Does Not Represent Committee Decision

	FY 2016-17 Actual	FY 2017-18 Actual	FY 2018-19 Appropriation	FY 2019-20 Request	FY 2019-20 Recommendation
Administrative Law Judge Services	<u>9,077</u>	<u>11,303</u>	<u>4,158</u>	<u>2,099</u>	<u>2,099</u>
Cash Funds	9,077	11,303	4,158	2,099	2,099
Payment to Risk Management and Property Funds	<u>312,968</u>	<u>336,022</u>	<u>293,248</u>	<u>311,696</u>	<u>310,447</u>
General Fund	126,926	135,510	116,175	120,931	120,609
Cash Funds	186,042	200,512	177,073	190,765	189,838
Vehicle Lease Payments	<u>540,940</u>	<u>566,934</u>	<u>669,802</u>	<u>660,767</u>	<u>660,767</u> *
General Fund	140,720	135,490	168,466	162,795	162,795
Cash Funds	400,220	431,444	501,336	497,972	497,972
Leased Space	<u>3,850,674</u>	<u>4,199,785</u>	<u>5,238,528</u>	<u>8,145,860</u>	<u>7,994,060</u> *
General Fund	596,242	631,879	835,024	1,139,228	987,428
Cash Funds	3,254,432	3,567,906	4,403,504	7,006,632	7,006,632
Capitol Complex Leased Space	<u>2,315,184</u>	<u>2,555,249</u>	<u>2,330,327</u>	<u>2,106,943</u>	<u>2,156,289</u>
General Fund	1,537,840	1,701,570	1,649,646	1,454,393	1,497,525
Cash Funds	777,344	853,679	680,681	652,550	658,764
Payments to OIT	<u>15,567,279</u>	<u>19,125,207</u>	<u>15,798,988</u>	<u>14,834,268</u>	<u>14,834,268</u> *
General Fund	8,026,495	11,155,787	10,388,686	9,932,694	9,932,694
Cash Funds	7,540,784	7,969,420	5,410,302	4,901,574	4,901,574
Reappropriated Funds	0	0	0	0	0
CORE Operations	<u>422,525</u>	<u>718,378</u>	<u>902,422</u>	<u>831,281</u>	<u>783,059</u>
General Fund	171,064	289,707	357,507	322,513	298,793
Cash Funds	251,461	428,671	544,915	508,768	484,266

* Line item includes a decision item.

JBC Staff Staff Figure Setting - FY 2019-20
Staff Working Document - Does Not Represent Committee Decision

	FY 2016-17 Actual	FY 2017-18 Actual	FY 2018-19 Appropriation	FY 2019-20 Request	FY 2019-20 Recommendation
Utilities	<u>78,443</u>	<u>77,565</u>	<u>143,703</u>	<u>143,703</u>	<u>143,703</u>
Cash Funds	78,443	77,565	143,703	143,703	143,703
SUBTOTAL - (A) Administration and Support	60,637,695	68,343,353	69,555,522	76,173,813	76,381,430
FTE	<u>119.1</u>	<u>124.1</u>	<u>126.1</u>	<u>132.3</u>	<u>133.3</u>
General Fund	28,310,456	33,324,929	34,230,971	36,423,899	36,416,212
Cash Funds	26,885,534	29,781,965	29,836,047	34,226,389	34,437,286
Reappropriated Funds	5,441,705	5,236,459	5,488,504	5,315,922	5,315,991
Federal Funds	0	0	0	207,603	211,941

(B) Hearings Division

Personal Services	<u>1,953,428</u>	<u>1,940,796</u>	<u>2,227,978</u>	<u>2,234,729</u>	<u>2,234,729</u>
FTE	26.6	29.6	29.6	29.6	29.6
General Fund	0	0	0	0	0
Cash Funds	1,953,428	1,940,796	2,227,978	2,234,729	2,234,729
Operating Expenses	<u>59,680</u>	<u>83,891</u>	<u>95,457</u>	<u>95,457</u>	<u>95,457</u>
General Fund	0	0	0	0	0
Cash Funds	59,680	83,891	95,457	95,457	95,457
Indirect Cost Assessment	<u>164,491</u>	<u>167,930</u>	<u>175,174</u>	<u>188,991</u>	<u>188,991</u>
Cash Funds	164,491	167,930	175,174	188,991	188,991
SUBTOTAL - (B) Hearings Division	2,177,599	2,192,617	2,498,609	2,519,177	2,519,177
FTE	<u>26.6</u>	<u>29.6</u>	<u>29.6</u>	<u>29.6</u>	<u>29.6</u>
General Fund	0	0	0	0	0
Cash Funds	2,177,599	2,192,617	2,498,609	2,519,177	2,519,177

* Line item includes a decision item.

JBC Staff Staff Figure Setting - FY 2019-20
Staff Working Document - Does Not Represent Committee Decision

	FY 2016-17 Actual	FY 2017-18 Actual	FY 2018-19 Appropriation	FY 2019-20 Request	FY 2019-20 Recommendation
TOTAL - (1) Executive Director's Office	62,815,294	70,535,970	72,054,131	78,692,990	78,900,607
<i>FTE</i>	<u>145.7</u>	<u>153.7</u>	<u>155.7</u>	<u>161.9</u>	<u>162.9</u>
General Fund	28,310,456	33,324,929	34,230,971	36,423,899	36,416,212
Cash Funds	29,063,133	31,974,582	32,334,656	36,745,566	36,956,463
Reappropriated Funds	5,441,705	5,236,459	5,488,504	5,315,922	5,315,991
Federal Funds	0	0	0	207,603	211,941

* Line item includes a decision item.

JBC Staff Staff Figure Setting - FY 2019-20
Staff Working Document - Does Not Represent Committee Decision

	FY 2016-17 Actual	FY 2017-18 Actual	FY 2018-19 Appropriation	FY 2019-20 Request	FY 2019-20 Recommendation
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(2) INFORMATION TECHNOLOGY DIVISION

(A) System Support

Personal Services	<u>130,684</u>	<u>46,805</u>	<u>100,000</u>	<u>100,000</u>	<u>100,000</u>
General Fund	130,684	46,805	100,000	100,000	100,000
Operating Expenses	<u>858,667</u>	<u>1,341,898</u>	<u>1,516,490</u>	<u>1,516,490</u>	<u>1,516,490</u>
General Fund	783,117	951,881	1,109,976	1,109,976	1,109,976
Cash Funds	75,550	390,017	406,514	406,514	406,514

SUBTOTAL - (A) System Support	989,351	1,388,703	1,616,490	1,616,490	1,616,490
FTE	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>
General Fund	913,801	998,686	1,209,976	1,209,976	1,209,976
Cash Funds	75,550	390,017	406,514	406,514	406,514

(B) DMV IT System (DRIVES) Support

Operating Expenses	<u>2,285,867</u>	<u>2,377,792</u>	<u>2,617,535</u>	<u>2,617,535</u>	<u>2,617,535</u>
Cash Funds	2,285,867	2,377,792	2,617,535	2,617,535	2,617,535
County Office Asset Maintenance	<u>532,342</u>	<u>474,334</u>	<u>568,230</u>	<u>568,230</u>	<u>568,230</u>
Cash Funds	532,342	474,334	568,230	568,230	568,230
County Office Improvements	<u>18,443</u>	<u>26,285</u>	<u>40,000</u>	<u>40,000</u>	<u>40,000</u>
Cash Funds	18,443	26,285	40,000	40,000	40,000
Personal Services	<u>0</u>	<u>48,963</u>	<u>0</u>	<u>0</u>	<u>0</u>
Cash Funds	0	48,963	0	0	0

* Line item includes a decision item.

JBC Staff Staff Figure Setting - FY 2019-20
Staff Working Document - Does Not Represent Committee Decision

	FY 2016-17 Actual	FY 2017-18 Actual	FY 2018-19 Appropriation	FY 2019-20 Request	FY 2019-20 Recommendation
SUBTOTAL - (B) DMV IT System (DRIVES)					
Support	2,836,652	2,927,374	3,225,765	3,225,765	3,225,765
<i>FTE</i>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>
Cash Funds	2,836,652	2,927,374	3,225,765	3,225,765	3,225,765
TOTAL - (2) Information Technology Division	3,826,003	4,316,077	4,842,255	4,842,255	4,842,255
<i>FTE</i>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>
General Fund	913,801	998,686	1,209,976	1,209,976	1,209,976
Cash Funds	2,912,202	3,317,391	3,632,279	3,632,279	3,632,279

* Line item includes a decision item.

JBC Staff Staff Figure Setting - FY 2019-20
Staff Working Document - Does Not Represent Committee Decision

	FY 2016-17 Actual	FY 2017-18 Actual	FY 2018-19 Appropriation	FY 2019-20 Request	FY 2019-20 Recommendation
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(3) TAXATION BUSINESS GROUP

(A) Administration

Personal Services	<u>412,638</u>	<u>477,425</u>	<u>540,557</u>	<u>556,456</u>	<u>556,456</u>
FTE	4.1	5.0	5.0	5.0	5.0
General Fund	389,144	452,682	512,427	527,497	527,497
Cash Funds	23,494	24,743	28,130	28,959	28,959
Operating Expenses	<u>6,341</u>	<u>12,228</u>	<u>12,543</u>	<u>12,543</u>	<u>12,543</u>
General Fund	6,341	12,228	12,543	12,543	12,543
Tax Administration IT System (GenTax) Support	<u>4,583,432</u>	<u>5,438,748</u>	<u>5,731,642</u>	<u>6,085,460</u>	<u>6,085,460</u>
General Fund	4,583,432	5,438,748	5,707,610	5,895,460	5,895,460
Cash Funds	0	0	24,032	190,000	190,000

SUBTOTAL - (A) Administration	5,002,411	5,928,401	6,284,742	6,654,459	6,654,459
FTE	<u>4.1</u>	<u>5.0</u>	<u>5.0</u>	<u>5.0</u>	<u>5.0</u>
General Fund	4,978,917	5,903,658	6,232,580	6,435,500	6,435,500
Cash Funds	23,494	24,743	52,162	218,959	218,959

(B) Taxation and Compliance Division

Personal Expenses	<u>15,083,887</u>	<u>15,721,117</u>	<u>17,802,873</u>	<u>18,519,726</u>	<u>18,519,726</u>
FTE	218.7	234.6	234.9	235.3	235.3
General Fund	14,435,050	15,167,729	16,561,335	17,236,846	17,236,846
Cash Funds	508,919	413,268	1,087,453	1,128,795	1,128,795
Reappropriated Funds	139,918	140,120	154,085	154,085	154,085

* Line item includes a decision item.

JBC Staff Staff Figure Setting - FY 2019-20
Staff Working Document - Does Not Represent Committee Decision

	FY 2016-17 Actual	FY 2017-18 Actual	FY 2018-19 Appropriation	FY 2019-20 Request	FY 2019-20 Recommendation
Operating Expenses	<u>991,890</u>	<u>1,032,518</u>	<u>1,030,030</u>	<u>1,074,072</u>	<u>1,074,072</u>
General Fund	976,239	1,028,717	1,005,834	1,049,876	1,049,876
Cash Funds	15,651	3,801	24,196	24,196	24,196
Joint Audit Program	<u>131,244</u>	<u>131,244</u>	<u>131,244</u>	<u>131,244</u>	<u>131,244</u>
General Fund	131,244	131,244	131,244	131,244	131,244
Mineral Audit Program	<u>826,290</u>	<u>834,701</u>	<u>890,388</u>	<u>890,388</u>	<u>890,388</u>
FTE	10.0	10.2	10.2	10.2	10.2
Reappropriated Funds	1,902	10,313	66,000	66,000	66,000
Federal Funds	824,388	824,388	824,388	824,388	824,388
SUBTOTAL - (B) Taxation and Compliance					
Division	17,033,311	17,719,580	19,854,535	20,615,430	20,615,430
FTE	<u>228.7</u>	<u>244.8</u>	<u>245.1</u>	<u>245.5</u>	<u>245.5</u>
General Fund	15,542,533	16,327,690	17,698,413	18,417,966	18,417,966
Cash Funds	524,570	417,069	1,111,649	1,152,991	1,152,991
Reappropriated Funds	141,820	150,433	220,085	220,085	220,085
Federal Funds	824,388	824,388	824,388	824,388	824,388
(C) Taxpayer Service Division					
Personal Services	<u>8,347,680</u>	<u>8,350,998</u>	<u>8,616,529</u>	<u>9,775,383</u>	<u>9,775,383</u> *
FTE	129.3	137.6	137.6	154.5	154.5
General Fund	8,111,050	8,119,068	8,304,362	9,372,677	9,372,677
Cash Funds	236,630	231,930	312,167	402,706	402,706

* Line item includes a decision item.

JBC Staff Staff Figure Setting - FY 2019-20
Staff Working Document - Does Not Represent Committee Decision

	FY 2016-17 Actual	FY 2017-18 Actual	FY 2018-19 Appropriation	FY 2019-20 Request	FY 2019-20 Recommendation
Operating Expenses	<u>478,848</u>	<u>497,568</u>	<u>508,769</u>	<u>546,434</u>	<u>546,434</u> *
General Fund	475,319	493,606	504,686	532,366	532,366
Cash Funds	3,529	3,962	4,083	14,068	14,068
Seasonal Tax Processing	<u>292,629</u>	<u>396,376</u>	<u>296,391</u>	<u>296,391</u>	<u>296,391</u>
General Fund	292,629	396,376	296,391	296,391	296,391
Document Management	<u>3,006,852</u>	<u>3,785,238</u>	<u>4,321,455</u>	<u>5,271,763</u>	<u>5,299,107</u>
General Fund	3,000,622	3,785,238	4,282,936	5,233,244	5,260,588
Cash Funds	6,230	0	38,519	38,519	38,519
Fuel Tracking System	<u>481,136</u>	<u>454,915</u>	<u>497,442</u>	<u>497,587</u>	<u>497,587</u>
FTE	1.5	1.5	1.5	1.5	1.5
Cash Funds	481,136	454,915	497,442	497,587	497,587
Indirect Cost Assessment	<u>9,134</u>	<u>9,334</u>	<u>9,724</u>	<u>9,611</u>	<u>9,611</u>
Cash Funds	9,134	9,334	9,724	9,611	9,611
SUBTOTAL - (C) Taxpayer Service Division	12,616,279	13,494,429	14,250,310	16,397,169	16,424,513
FTE	<u>130.8</u>	<u>139.1</u>	<u>139.1</u>	<u>156.0</u>	<u>156.0</u>
General Fund	11,879,620	12,794,288	13,388,375	15,434,678	15,462,022
Cash Funds	736,659	700,141	861,935	962,491	962,491

(D) Tax Conferee

Personal Services	<u>1,165,030</u>	<u>1,367,273</u>	<u>1,714,139</u>	<u>1,743,555</u>	<u>1,743,555</u>
FTE	11.8	13.6	13.6	13.6	13.6
General Fund	1,165,030	1,367,273	1,616,856	1,646,272	1,646,272
Reappropriated Funds	0	0	97,283	97,283	97,283

* Line item includes a decision item.

JBC Staff Figure Setting - FY 2019-20
Staff Working Document - Does Not Represent Committee Decision

	FY 2016-17 Actual	FY 2017-18 Actual	FY 2018-19 Appropriation	FY 2019-20 Request	FY 2019-20 Recommendation
Operating Expenses	<u>35,877</u>	<u>47,666</u>	<u>60,905</u>	<u>60,905</u>	<u>60,905</u>
General Fund	35,877	47,666	60,905	60,905	60,905
SUBTOTAL - (D) Tax Conferee	1,200,907	1,414,939	1,775,044	1,804,460	1,804,460
FTE	<u>11.8</u>	<u>13.6</u>	<u>13.6</u>	<u>13.6</u>	<u>13.6</u>
General Fund	1,200,907	1,414,939	1,677,761	1,707,177	1,707,177
Reappropriated Funds	0	0	97,283	97,283	97,283

(E) Special Purpose

Cigarette Tax Rebate	<u>10,308,809</u>	<u>9,732,856</u>	<u>8,141,834</u>	<u>7,327,016</u>	<u>7,327,016</u>
General Fund	10,308,809	9,732,856	8,141,834	7,327,016	7,327,016
Amendment 35 Distribution to Local Governments	<u>1,288,332</u>	<u>1,239,276</u>	<u>1,289,727</u>	<u>1,160,000</u>	<u>1,223,109</u>
Cash Funds	1,288,332	1,239,276	1,289,727	1,160,000	1,223,109
Old Age Heat and Fuel and Property Tax Assistance					
Grant	<u>6,679,191</u>	<u>4,907,528</u>	<u>5,634,000</u>	<u>5,584,000</u>	<u>5,584,000</u>
General Fund	6,679,191	4,907,528	5,634,000	5,584,000	5,584,000
Commercial Vehicle Enterprise Sales Tax Refund	<u>0</u>	<u>204,423</u>	<u>120,524</u>	<u>120,524</u>	<u>120,524</u>
Cash Funds	0	204,423	120,524	120,524	120,524
Retail Marijuana Sales Tax Distribution to Local					
Governments	<u>14,349,488</u>	<u>18,537,979</u>	<u>20,336,822</u>	<u>18,768,800</u>	<u>18,768,800</u>
General Fund	14,349,488	18,537,979	20,336,822	18,768,800	18,768,800

* Line item includes a decision item.

JBC Staff Staff Figure Setting - FY 2019-20
Staff Working Document - Does Not Represent Committee Decision

	FY 2016-17 Actual	FY 2017-18 Actual	FY 2018-19 Appropriation	FY 2019-20 Request	FY 2019-20 Recommendation
SUBTOTAL - (E) Special Purpose	32,625,820	34,622,062	35,522,907	32,960,340	33,023,449
<i>FTE</i>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>
General Fund	31,337,488	33,178,363	34,112,656	31,679,816	31,679,816
Cash Funds	1,288,332	1,443,699	1,410,251	1,280,524	1,343,633
TOTAL - (3) Taxation Business Group	68,478,728	73,179,411	77,687,538	78,431,858	78,522,311
<i>FTE</i>	<u>375.4</u>	<u>402.5</u>	<u>402.8</u>	<u>420.1</u>	<u>420.1</u>
General Fund	64,939,465	69,618,938	73,109,785	73,675,137	73,702,481
Cash Funds	2,573,055	2,585,652	3,435,997	3,614,965	3,678,074
Reappropriated Funds	141,820	150,433	317,368	317,368	317,368
Federal Funds	824,388	824,388	824,388	824,388	824,388

* Line item includes a decision item.

JBC Staff Staff Figure Setting - FY 2019-20
Staff Working Document - Does Not Represent Committee Decision

	FY 2016-17 Actual	FY 2017-18 Actual	FY 2018-19 Appropriation	FY 2019-20 Request	FY 2019-20 Recommendation
(4) DIVISION OF MOTOR VEHICLES					
(A) Administration					
Personal Services	<u>1,402,610</u>	<u>1,495,170</u>	<u>2,586,977</u>	<u>2,630,148</u>	<u>2,630,148</u>
FTE	16.8	18.9	32.9	32.9	32.9
General Fund	234,776	234,707	231,797	369,059	369,059
Cash Funds	1,121,876	1,209,118	2,303,835	2,209,744	2,209,744
Reappropriated Funds	45,958	51,345	51,345	51,345	51,345
Operating Expenses	<u>78,387</u>	<u>72,666</u>	<u>521,200</u>	<u>440,980</u>	<u>440,980</u>
General Fund	12,478	12,475	11,711	65,317	65,317
Cash Funds	62,810	56,801	443,099	372,273	372,273
Reappropriated Funds	3,099	3,390	66,390	3,390	3,390
DRIVES Maintenance and Support	<u>0</u>	<u>0</u>	<u>2,600,000</u>	<u>6,578,868</u>	<u>6,578,868</u> *
Cash Funds	0	0	2,600,000	6,578,868	6,578,868
Reappropriated Funds	0	0	0	0	0
SUBTOTAL - (A) Administration	1,480,997	1,567,836	5,708,177	9,649,996	9,649,996
FTE	16.8	18.9	32.9	32.9	32.9
General Fund	247,254	247,182	243,508	434,376	434,376
Cash Funds	1,184,686	1,265,919	5,346,934	9,160,885	9,160,885
Reappropriated Funds	49,057	54,735	117,735	54,735	54,735

* Line item includes a decision item.

JBC Staff Staff Figure Setting - FY 2019-20
Staff Working Document - Does Not Represent Committee Decision

	FY 2016-17 Actual	FY 2017-18 Actual	FY 2018-19 Appropriation	FY 2019-20 Request	FY 2019-20 Recommendation
(B) Driver Services					
Personal Services	<u>19,118,430</u>	<u>19,969,153</u>	<u>21,810,867</u>	<u>23,072,944</u>	<u>23,072,944</u> *
FTE	416.7	399.1	410.0	419.5	419.5
General Fund	3,031,041	3,064,873	3,151,293	3,264,481	3,264,481
Cash Funds	16,004,110	16,863,238	18,546,008	19,691,473	19,691,473
Reappropriated Funds	83,279	41,042	113,566	116,990	116,990
Operating Expenses	<u>2,074,558</u>	<u>3,080,984</u>	<u>2,581,673</u>	<u>2,785,664</u>	<u>2,785,664</u> *
General Fund	418,104	418,104	411,155	411,155	411,155
Cash Funds	1,653,292	2,660,449	2,160,348	2,364,339	2,364,339
Reappropriated Funds	3,162	2,431	10,170	10,170	10,170
Drivers License Documents	<u>5,985,311</u>	<u>5,696,473</u>	<u>7,400,218</u>	<u>7,779,730</u>	<u>7,779,730</u> *
Cash Funds	5,985,311	5,696,473	7,400,218	7,779,730	7,779,730
Ignition Interlock Program	<u>848,488</u>	<u>696,001</u>	<u>1,240,450</u>	<u>1,253,319</u>	<u>1,253,319</u>
FTE	5.8	6.9	6.9	6.9	6.9
Cash Funds	848,488	696,001	1,240,450	1,253,319	1,253,319
Indirect Cost Assessment	<u>2,137,541</u>	<u>2,183,128</u>	<u>2,289,223</u>	<u>2,419,604</u>	<u>2,419,604</u>
Cash Funds	2,137,541	2,183,128	2,289,223	2,419,604	2,419,604
SUBTOTAL - (B) Driver Services	30,164,328	31,625,739	35,322,431	37,311,261	37,311,261
FTE	<u>422.5</u>	<u>406.0</u>	<u>416.9</u>	<u>426.4</u>	<u>426.4</u>
General Fund	3,449,145	3,482,977	3,562,448	3,675,636	3,675,636
Cash Funds	26,628,742	28,099,289	31,636,247	33,508,465	33,508,465
Reappropriated Funds	86,441	43,473	123,736	127,160	127,160

* Line item includes a decision item.

JBC Staff Staff Figure Setting - FY 2019-20
Staff Working Document - Does Not Represent Committee Decision

	FY 2016-17 Actual	FY 2017-18 Actual	FY 2018-19 Appropriation	FY 2019-20 Request	FY 2019-20 Recommendation
(C) Vehicle Services					
Personal Services	<u>2,349,120</u>	<u>2,454,053</u>	<u>3,031,998</u>	<u>3,130,189</u>	<u>3,130,189</u>
FTE	45.8	50.0	55.0	55.0	55.0
General Fund	453,247	453,247	466,605	483,164	483,164
Cash Funds	1,895,873	2,000,806	2,565,393	2,647,025	2,647,025
Operating Expenses	<u>448,144</u>	<u>385,101</u>	<u>492,392</u>	<u>458,752</u>	<u>458,752</u>
General Fund	27,169	27,169	36,282	26,157	26,157
Cash Funds	420,975	357,932	456,110	432,595	432,595
License Plate Ordering	<u>8,343,789</u>	<u>10,177,105</u>	<u>10,218,242</u>	<u>10,209,461</u>	<u>10,209,461</u>
General Fund	209,000	216,315	226,185	216,315	216,315
Cash Funds	8,134,789	9,960,790	9,992,057	9,993,146	9,993,146
Motorist Insurance Identification Database Program	<u>182,104</u>	<u>183,702</u>	<u>338,255</u>	<u>340,155</u>	<u>340,155</u>
FTE	1.0	1.0	1.0	1.0	1.0
Cash Funds	182,104	183,702	338,255	340,155	340,155
Emissions Program	<u>1,082,192</u>	<u>1,086,188</u>	<u>1,275,174</u>	<u>1,303,989</u>	<u>1,303,989</u>
FTE	13.8	15.0	15.0	15.0	15.0
Cash Funds	1,082,192	1,086,188	1,275,174	1,303,989	1,303,989
Indirect Cost Assessment	<u>354,937</u>	<u>368,088</u>	<u>382,961</u>	<u>429,074</u>	<u>429,074</u>
Cash Funds	354,937	368,088	382,961	429,074	429,074
SUBTOTAL - (C) Vehicle Services	12,760,286	14,654,237	15,739,022	15,871,620	15,871,620
FTE	<u>60.6</u>	<u>66.0</u>	<u>71.0</u>	<u>71.0</u>	<u>71.0</u>
General Fund	689,416	696,731	729,072	725,636	725,636
Cash Funds	12,070,870	13,957,506	15,009,950	15,145,984	15,145,984

* Line item includes a decision item.

JBC Staff Staff Figure Setting - FY 2019-20
Staff Working Document - Does Not Represent Committee Decision

	FY 2016-17 Actual	FY 2017-18 Actual	FY 2018-19 Appropriation	FY 2019-20 Request	FY 2019-20 Recommendation
TOTAL - (4) Division of Motor Vehicles	44,405,611	47,847,812	56,769,630	62,832,877	62,832,877
<i>FTE</i>	<u>499.9</u>	<u>490.9</u>	<u>520.8</u>	<u>530.3</u>	<u>530.3</u>
General Fund	4,385,815	4,426,890	4,535,028	4,835,648	4,835,648
Cash Funds	39,884,298	43,322,714	51,993,131	57,815,334	57,815,334
Reappropriated Funds	135,498	98,208	241,471	181,895	181,895

* Line item includes a decision item.

JBC Staff Staff Figure Setting - FY 2019-20
Staff Working Document - Does Not Represent Committee Decision

	FY 2016-17 Actual	FY 2017-18 Actual	FY 2018-19 Appropriation	FY 2019-20 Request	FY 2019-20 Recommendation
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(5) ENFORCEMENT BUSINESS GROUP

(A) Administration

Personal Services	<u>646,901</u>	<u>668,335</u>	<u>980,001</u>	<u>996,136</u>	<u>996,136</u>
FTE	7.1	8.0	10.0	10.0	10.0
General Fund	5,108	4,865	7,407	7,524	7,524
Cash Funds	375,264	425,598	642,965	658,983	658,983
Reappropriated Funds	266,529	237,872	329,629	329,629	329,629
Operating Expenses	<u>8,274</u>	<u>11,310</u>	<u>14,680</u>	<u>14,680</u>	<u>14,680</u>
General Fund	69	85	111	111	111
Cash Funds	4,853	7,275	9,631	9,631	9,631
Reappropriated Funds	3,352	3,950	4,938	4,938	4,938

SUBTOTAL - (A) Administration	655,175	679,645	994,681	1,010,816	1,010,816
FTE	<u>7.1</u>	<u>8.0</u>	<u>10.0</u>	<u>10.0</u>	<u>10.0</u>
General Fund	5,177	4,950	7,518	7,635	7,635
Cash Funds	380,117	432,873	652,596	668,614	668,614
Reappropriated Funds	269,881	241,822	334,567	334,567	334,567

(B) Limited Gaming Division

Personal Services	<u>6,564,135</u>	<u>6,194,217</u>	<u>6,937,637</u>	<u>7,538,438</u>	<u>7,538,438</u>
FTE	83.0	91.0	89.0	90.0	90.0
Cash Funds	6,564,135	6,194,217	6,937,637	7,538,438	7,538,438
Operating Expenses	<u>593,262</u>	<u>685,257</u>	<u>1,022,457</u>	<u>1,028,110</u>	<u>1,028,110</u>
Cash Funds	593,262	685,257	1,022,457	1,028,110	1,028,110

* Line item includes a decision item.

JBC Staff Staff Figure Setting - FY 2019-20
Staff Working Document - Does Not Represent Committee Decision

	FY 2016-17 Actual	FY 2017-18 Actual	FY 2018-19 Appropriation	FY 2019-20 Request	FY 2019-20 Recommendation
Payments to Other State Agencies	<u>4,382,568</u>	<u>4,654,288</u>	<u>4,497,011</u>	<u>4,936,279</u>	<u>4,936,279</u>
Cash Funds	4,382,568	4,654,288	4,497,011	4,936,279	4,936,279
Distribution to Gaming Cities and Counties	<u>104,071,668</u>	<u>111,598,539</u>	<u>23,788,902</u>	<u>23,788,902</u>	<u>23,788,902</u>
Cash Funds	104,071,668	111,598,539	23,788,902	23,788,902	23,788,902
Indirect Cost Assessment	<u>834,076</u>	<u>812,715</u>	<u>583,285</u>	<u>578,358</u>	<u>578,358</u>
Cash Funds	834,076	812,715	583,285	578,358	578,358
SUBTOTAL - (B) Limited Gaming Division	116,445,709	123,945,016	36,829,292	37,870,087	37,870,087
FTE	83.0	91.0	89.0	90.0	90.0
Cash Funds	116,445,709	123,945,016	36,829,292	37,870,087	37,870,087

(C) Liquor and Tobacco Enforcement Division

Personal Services	<u>2,104,366</u>	<u>2,386,162</u>	<u>2,765,679</u>	<u>2,821,117</u>	<u>2,821,117</u>
FTE	26.7	30.0	32.5	32.5	32.5
General Fund	93,587	132,315	171,607	175,694	175,694
Cash Funds	2,010,779	2,253,847	2,594,072	2,645,423	2,645,423
Operating Expenses	<u>98,599</u>	<u>107,474</u>	<u>170,812</u>	<u>155,028</u>	<u>155,028</u>
General Fund	4,808	6,984	6,965	6,965	6,965
Cash Funds	93,791	100,490	163,847	148,063	148,063
Indirect Cost Assessment	<u>155,330</u>	<u>178,175</u>	<u>195,180</u>	<u>198,942</u>	<u>198,942</u>
Cash Funds	155,330	178,175	195,180	198,942	198,942

* Line item includes a decision item.

JBC Staff Staff Figure Setting - FY 2019-20
Staff Working Document - Does Not Represent Committee Decision

	FY 2016-17 Actual	FY 2017-18 Actual	FY 2018-19 Appropriation	FY 2019-20 Request	FY 2019-20 Recommendation
SUBTOTAL - (C) Liquor and Tobacco					
Enforcement Division	2,358,295	2,671,811	3,131,671	3,175,087	3,175,087
<i>FTE</i>	<u>26.7</u>	<u>30.0</u>	<u>32.5</u>	<u>32.5</u>	<u>32.5</u>
General Fund	98,395	139,299	178,572	182,659	182,659
Cash Funds	2,259,900	2,532,512	2,953,099	2,992,428	2,992,428

(D) Division of Racing Events

Personal Services	<u>822,518</u>	<u>835,606</u>	<u>936,329</u>	<u>952,156</u>	<u>952,156</u>
<i>FTE</i>	<u>6.7</u>	<u>7.7</u>	<u>7.7</u>	<u>7.7</u>	<u>7.7</u>
Cash Funds	822,518	835,606	936,329	952,156	952,156
Operating Expenses	<u>209,427</u>	<u>198,123</u>	<u>220,721</u>	<u>220,721</u>	<u>220,721</u>
Cash Funds	209,427	198,123	220,721	220,721	220,721
Purses and Breeders Awards	<u>1,362,526</u>	<u>1,344,012</u>	<u>1,400,000</u>	<u>1,400,000</u>	<u>1,400,000</u>
Cash Funds	1,362,526	1,344,012	1,400,000	1,400,000	1,400,000
Indirect Cost Assessment	<u>47,312</u>	<u>48,306</u>	<u>50,615</u>	<u>50,038</u>	<u>50,038</u>
Cash Funds	47,312	48,306	50,615	50,038	50,038
SUBTOTAL - (D) Division of Racing Events	2,441,783	2,426,047	2,607,665	2,622,915	2,622,915
<i>FTE</i>	<u>6.7</u>	<u>7.7</u>	<u>7.7</u>	<u>7.7</u>	<u>7.7</u>
Cash Funds	2,441,783	2,426,047	2,607,665	2,622,915	2,622,915

(E) Hearings Division

Personal Services	<u>1,953,428</u>
<i>FTE</i>	<u>26.6</u>
Cash Funds	1,953,428

* Line item includes a decision item.

JBC Staff Staff Figure Setting - FY 2019-20
Staff Working Document - Does Not Represent Committee Decision

	FY 2016-17 Actual	FY 2017-18 Actual	FY 2018-19 Appropriation	FY 2019-20 Request	FY 2019-20 Recommendation
Operating Expenses	<u>59,680</u>				
Cash Funds	59,680				
Indirect Cost Assessment	<u>164,491</u>				
Cash Funds	164,491				
SUBTOTAL - (E) Hearings Division	2,177,599				
FTE	<u>26.6</u>				
Cash Funds	2,177,599				

(F) Motor Vehicle Dealer Licensing Board

Personal Services	<u>1,860,566</u>	<u>2,078,284</u>	<u>2,338,324</u>	<u>2,401,002</u>	<u>2,401,002</u>
FTE	27.6	32.3	32.3	32.3	32.3
Cash Funds	1,860,566	2,078,284	2,338,324	2,401,002	2,401,002
Operating Expenses	<u>132,981</u>	<u>194,141</u>	<u>138,691</u>	<u>138,691</u>	<u>138,691</u>
Cash Funds	132,981	194,141	138,691	138,691	138,691
Indirect Cost Assessment	<u>167,130</u>	<u>170,640</u>	<u>216,746</u>	<u>209,900</u>	<u>209,900</u>
Cash Funds	167,130	170,640	216,746	209,900	209,900
SUBTOTAL - (F) Motor Vehicle Dealer Licensing Board	2,160,677	2,443,065	2,693,761	2,749,593	2,749,593
FTE	<u>27.6</u>	<u>32.3</u>	<u>32.3</u>	<u>32.3</u>	<u>32.3</u>
Cash Funds	2,160,677	2,443,065	2,693,761	2,749,593	2,749,593

* Line item includes a decision item.

JBC Staff Staff Figure Setting - FY 2019-20
Staff Working Document - Does Not Represent Committee Decision

	FY 2016-17 Actual	FY 2017-18 Actual	FY 2018-19 Appropriation	FY 2019-20 Request	FY 2019-20 Recommendation
(G) Marijuana Enforcement					
Marijuana Enforcement	<u>7,624,483</u>	<u>19,250,162</u>	<u>10,012,073</u>	<u>12,163,489</u>	<u>12,163,489</u> *
FTE	<u>77.4</u>	<u>104.0</u>	<u>104.1</u>	<u>112.1</u>	<u>112.1</u>
Cash Funds	7,624,483	19,250,162	10,012,073	12,163,489	12,163,489
Indirect Cost Assessment	<u>1,111,282</u>	<u>785,853</u>	<u>805,778</u>	<u>797,080</u>	<u>797,080</u>
Cash Funds	1,111,282	785,853	805,778	797,080	797,080
SUBTOTAL - (G) Marijuana Enforcement	8,735,765	20,036,015	10,817,851	12,960,569	12,960,569
FTE	<u>77.4</u>	<u>104.0</u>	<u>104.1</u>	<u>112.1</u>	<u>112.1</u>
Cash Funds	8,735,765	20,036,015	10,817,851	12,960,569	12,960,569
TOTAL - (5) Enforcement Business Group	134,975,003	152,201,599	57,074,921	60,389,067	60,389,067
FTE	<u>255.1</u>	<u>273.0</u>	<u>275.6</u>	<u>284.6</u>	<u>284.6</u>
General Fund	103,572	144,249	186,090	190,294	190,294
Cash Funds	134,601,550	151,815,528	56,554,264	59,864,206	59,864,206
Reappropriated Funds	269,881	241,822	334,567	334,567	334,567

* Line item includes a decision item.

JBC Staff Staff Figure Setting - FY 2019-20
Staff Working Document - Does Not Represent Committee Decision

	FY 2016-17 Actual	FY 2017-18 Actual	FY 2018-19 Appropriation	FY 2019-20 Request	FY 2019-20 Recommendation
(6) STATE LOTTERY DIVISION					
Personal Services	<u>7,956,300</u>	<u>8,602,404</u>	<u>9,651,554</u>	<u>8,715,155</u>	<u>8,715,155</u> *
FTE	111.1	117.1	117.1	102.1	102.1
Cash Funds	7,956,300	8,602,404	9,651,554	8,715,155	8,715,155
Operating Expenses	<u>1,011,208</u>	<u>993,406</u>	<u>1,189,385</u>	<u>1,177,035</u>	<u>1,177,035</u> *
Cash Funds	1,011,208	993,406	1,189,385	1,177,035	1,177,035
Payments to Other State Agencies	<u>85,530</u>	<u>84,324</u>	<u>239,410</u>	<u>239,410</u>	<u>239,410</u>
Cash Funds	85,530	84,324	239,410	239,410	239,410
Travel	<u>96,939</u>	<u>82,057</u>	<u>113,498</u>	<u>113,498</u>	<u>113,498</u>
Cash Funds	96,939	82,057	113,498	113,498	113,498
Marketing and Communications	<u>13,634,185</u>	<u>13,539,964</u>	<u>14,700,000</u>	<u>14,700,000</u>	<u>14,700,000</u>
Cash Funds	13,634,185	13,539,964	14,700,000	14,700,000	14,700,000
Multi-State Lottery Fees	<u>119,397</u>	<u>127,308</u>	<u>177,433</u>	<u>177,433</u>	<u>177,433</u>
Cash Funds	119,397	127,308	177,433	177,433	177,433
Vendor Fees	<u>10,029,041</u>	<u>11,392,105</u>	<u>14,269,479</u>	<u>21,314,629</u>	<u>21,314,629</u> *
Cash Funds	10,029,041	11,392,105	14,269,479	21,314,629	21,314,629
Retailer Compensation	<u>40,759,281</u>	<u>46,153,182</u>	<u>54,572,160</u>	<u>55,593,160</u>	<u>55,593,160</u> *
Cash Funds	40,759,281	46,153,182	54,572,160	55,593,160	55,593,160
Ticket Costs	<u>3,915,189</u>	<u>3,701,312</u>	<u>6,578,000</u>	<u>6,578,000</u>	<u>6,578,000</u>
Cash Funds	3,915,189	3,701,312	6,578,000	6,578,000	6,578,000

* Line item includes a decision item.

JBC Staff Staff Figure Setting - FY 2019-20
Staff Working Document - Does Not Represent Committee Decision

	FY 2016-17 Actual	FY 2017-18 Actual	FY 2018-19 Appropriation	FY 2019-20 Request	FY 2019-20 Recommendation
Research	<u>0</u>	<u>57,904</u>	<u>250,000</u>	<u>250,000</u>	<u>250,000</u>
Cash Funds	0	57,904	250,000	250,000	250,000
Indirect Cost Assessment	<u>702,837</u>	<u>718,738</u>	<u>748,494</u>	<u>739,928</u>	<u>739,928</u>
Cash Funds	702,837	718,738	748,494	739,928	739,928
TOTAL - (6) State Lottery Division	78,309,907	85,452,704	102,489,413	109,598,248	109,598,248
FTE	<u>111.1</u>	<u>117.1</u>	<u>117.1</u>	<u>102.1</u>	<u>102.1</u>
Cash Funds	78,309,907	85,452,704	102,489,413	109,598,248	109,598,248
TOTAL - Department of Revenue	392,810,546	433,533,573	370,917,888	394,787,295	395,085,365
FTE	<u>1,387.2</u>	<u>1,437.2</u>	<u>1,472.0</u>	<u>1,499.0</u>	<u>1,500.0</u>
General Fund	98,653,109	108,513,692	113,271,850	116,334,954	116,354,611
Cash Funds	287,344,145	318,468,571	250,439,740	271,270,598	271,544,604
Reappropriated Funds	5,988,904	5,726,922	6,381,910	6,149,752	6,149,821
Federal Funds	824,388	824,388	824,388	1,031,991	1,036,329

* Line item includes a decision item.



Joint Technology Committee

State Capitol Building, Room 029
Denver, Colorado 80203-1784
(303) 866-3521



March 8, 2019

Senator Dominick Moreno
Chair, Joint Budget Committee
200 East 14th Avenue, Third Floor
Denver, Colorado 80203

Dear Senator Moreno,

On March 7, 2019, the Joint Technology Committee (JTC) met to review three FY 2019-20 information technology operating budget requests that were referred to the committee by the Joint Budget Committee (JBC) pursuant to Joint Rule 45 (a)(3)(B) for the Departments of Labor and Employment and Revenue. The JTC recommends fully funding all of the requests, as submitted. JTC staff analyses of these requests can be found as attachments.

Department of Labor and Employment Request

R-05: Unemployment Insurance Field Audit System Replacement. In a February 21, 2019, letter to the JTC, the JBC requested that the JTC review the Department of Labor and Employment's FY 2019-20 operating budget request R-05, Unemployment Insurance Field Audit System Replacement, for \$450,000 cash funds spending authority. After consideration, the JTC recommends fully funding the request with no concerns.

Department of Revenue Requests

In a December 11, 2019, letter to the JTC, the JBC requested that the JTC review two of the Department of Revenue (DOR)'s FY 2019-20 operating budget requests.

R-01: GenTax Support Enhancements. The JBC requested that the JTC review DOR's R-01 request, GenTax Support Enhancements, for \$1.4 million General Fund and 12.0 FTE in FY 2019-20. After consideration, the JTC recommends fully funding the request.

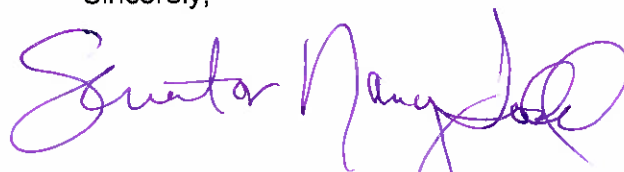
In addition to the consideration of the FY 2019-20 operating request for GenTax, the JBC asked the JTC to consider several options related to the creation of a state-owned tax data warehouse and the development of a severance tax administration module independent of the GenTax system. Due to the complexity of these requests, and the JTC's significant concerns regarding the department's GenTax operations, the JTC plans to have ongoing discussions with and updates from the department, as outlined in the JTC staff analysis memo.

R-03: Lottery Back Office Restructure. The JBC requested that the JTC review DOR's R-03 request, Lottery Back Office Restructure, for \$2.2 million cash funds spending authority. After consideration, the JTC recommends fully funding the request. One member of the committee voted against the funding recommendation.

During its deliberations, the JTC expressed concerns about the cost of moving to a vendor-supported system compared to the cost to upgrade the current system. However, the department provided several points in justification of the request, including that the current system will reach end-of-life this month; upgrades to the current system will only enable the system's operation for a short amount of time; and internal IT staff resources at the Lottery are being transitioned to the Governor's Office of Information Technology.

If you have any questions or concerns about the JTC's recommendations, please call Luisa Altmann, Legislative Council Staff, at 303-866-3518.

Sincerely,



Senator Nancy Todd, Chair
Joint Technology Committee

c: Joint Technology Committee Members
 Joint Budget Committee Members
 Joint Technology Committee Staff
 Hollie Harlan, Department of Labor and Employment
 Jean Robinson, Department of Revenue
 Lauren Larson, Office of State Planning and Budgeting
 Andrea Day, Office of State Planning and Budgeting
 Michael Shea, Office of Information Technology
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Memorandum

February 22, 2019

TO: Joint Technology Committee Members

FROM: Jean Billingsley, Senior Research Analyst, 303-866-2357
Joint Technology Committee (JTC) Staff

SUBJECT: JTC Staff Analysis of JBC-Referred FY 2019-20 Budget Request
Colorado Department of Revenue
R-01 GenTax Support Enhancements

Summary of Request

The Colorado Department of Revenue (DOR) is requesting \$1.4 million, 6.0 full-time employees (FTEs) in DOR, and 6.0 FTEs in the Governor's Office of Information Technology (OIT) to support the state's tax administration system, GenTax. The FY 2019-20 DOR operating budget request is phase one of the following three phases:

- phase one adds GenTax FTEs to maintain and support the GenTax system, and the state tax administration;
- phase two addresses areas of deficiency in the GenTax system; and
- phase three addresses non-statutory reporting requests.

Reason for Referral

This memorandum responds to the December 11, 2018, letter from the Joint Budget Committee (JBC) to provide a technical review of the DOR FY 2019-20 GenTax Support Enhancements operating budget request (request).

The JBC also asked the JTC to review the possibility of implementing: (1) a state-owned tax data warehouse to generate tax reports; and (2) a severance tax administration module independent of the GenTax system. These requests will be addressed in a separate staff memo, and at future JTC meetings.

Staff Analysis

Staff recommends funding the DOR request for the first fiscal year, with another JTC review during the FY 2020-21 operating budget request cycle to assess the GenTax phase one progress. Staff also recommends that DOR or OIT provide the JTC periodic status reports, including updates on: (1) its progress toward meeting staff recommendations in Appendix A: Staff Recommendations; (2) GenTax assessment findings; and (3) GenTax technical debt.¹

DOR requests funding to add GenTax resources so that it can accurately and efficiently administer taxes while maintaining the security of the GenTax system. DOR says that it is working to resolve the current problems with GenTax and cannot do that without building an internal GenTax technical team. DOR further explains that it has insufficient knowledge of the detailed technical aspects of GenTax because maintenance, other than infrastructure, has been handled through its vendor. DOR further explains that it cannot commit to a high-level timeline for each of the three phases at this time since phase one goals consist of training new state technical resources.

Request Details

Justification. In October 2018, DOR engaged OIT to review the backlog of items in the GenTax queue. The assessment included a review of the contract with the GenTax vendor, internal and external audits, employee surveys and interviews, and an analysis of other state tax policies and procedures. The OIT assessment team also conducted interviews with the steering committee and quality management team, which provide governance and oversight for the GenTax system. The assessment's recommendations include realigning GenTax roles and responsibilities, improving the GenTax queue workflow, and implementing a new governance and support structure.

JBC staff explains that the DOR operating request is a substantial increase in the annual funding of GenTax system maintenance as it comes at a cost of 50 percent more than the annual maintenance contract with the vendor. However, DOR says the FY 2019-20 request will fund phase one's goal to add GenTax resources for its tax administration and to reduce the risk of relying on the vendor's technical GenTax knowledge. Even so, DOR explains that due to the complexity of GenTax, a state developer may not become proficient in the system for one or two years. DOR also says that phases two and three, to address areas of deficiency in the GenTax system and meet non-statutory reporting requests, will begin at a later date to be determined.

Phase one. DOR survey results found that no other state uses a 100 percent outsourcing method for GenTax maintenance. To increase state employee knowledge of GenTax, DOR is creating new

¹ Software system technical debt is defined as any requirement that a system does not provide, and can range from trivial to critical. Any stakeholder dissatisfaction with an application can be considered as part as that system's debt. All software systems carry some technical debt, and the level of technical debt that a system has sometimes gets worse over time as the system and the requirements grow. The challenge is to manage the technical debt so that critical or work stoppage issues are handled and communicated to stakeholders appropriately. Options to reduce technical debt may include a more cost-effective approach that requires replacing the application rather than continuing to invest in the existing system.

positions (see Appendix B: Additional FTE Descriptions and Justifications). DOR justifies the need for additional staff by explaining it has about 622 service requests to change the GenTax custom code and by describing the critical nature and complexity of some of these service requests. DOR also says that it has experienced about an annual 3 percent increase in individual returns, and a 5 percent increase in business returns, with no new FTEs to handle the increase.

Itemized cost information. DOR's current budget is \$5.7 million General Fund for the contracted, annual operating expense, paid to the GenTax system vendor. The request asks for an additional \$1.4 million in FY 2019-20, annualized to \$2.8 million General Fund for 26.0 FTEs that will be shared between DOR and OIT (see Appendix C, DOR Operating Request Itemization). Even so, the request covers only phase one, and does not include any additional costs for phases two and three. DOR does not provide estimates for phase two or three.

Program and GenTax System Summary

In 2008, DOR undertook a project to modernize Colorado's income tax administration software and database. Completed in 2012, the project resulted in the GenTax system, a software solution supported through a maintenance and support contract with Fast Enterprises, Inc. Even though DOR currently employs Fast Enterprises contractors to make changes in the GenTax system code, the GenTax system is hosted at a state data center managed by OIT.

The Taxation Business group, within DOR, is charged with the collection, administration, audit, and enforcement responsibilities pertaining to all taxes, fees, bonds, and licenses under Colorado's tax laws. The division is primarily funded from General Fund appropriations, but does receive some moneys from the Highway Users Tax Fund and federal programs. Other divisions within DOR include Taxation and Compliance, to assist in tax collection, Taxpayer Services, which administers the state's tax programs, and the Office of Research and Analysis, which prepares a tax profile and expenditure report for the state as required by statute.

The DOR Taxation and Compliance team in the Taxation Business Group has 14 GenTax staff, consisting of 13 analysts, and 1 administrator. The team is transitioning to a department-wide oversight structure within the Executive Director's Office (EDO). Staff resources related to this request would similarly be located within the EDO. The existing team's primary responsibility is as a liaison between DOR and the vendor.

Appendix A

Staff Recommendations

In FY 2019-20, staff recommends that DOR and OIT consider, or continue, the following:

- Phase one hires an operational lead to be the liaison between OIT and the vendor. Staff recommends that DOR and OIT continue to establish and review the vendor management roles and responsibilities in order to leverage OIT's technical and IT security expertise.
- The request does not include a project manager. DOR should consider managing all three GenTax phases using a project management methodology. Staff recommends that DOR and OIT continue their partnership to not only train OIT developers in maintaining GenTax, but also actively involve the OIT Program Management Office for project management services.
- DOR explains that it cannot provide estimated start or end dates for any of the three phases described in the request. Staff recommends that high-level planning and development of timelines for all three phases should begin in FY 2019-20, and then be subsequently reported to the JTC. Staff recommends possibly breaking the three phases into smaller manageable projects with a refined scope to develop and track milestone dates.
- DOR and OIT should consider scheduled, internal technical audits of the GenTax system, and provide those planned audit dates and results to the JTC.
- DOR should continue to actively involve OIT's information security, enterprise architecture and, data governance departments. Since GenTax processes and stores federal tax information, it must comply with federal and state regulations. The OIT data governance group may be able to assist with improving the data stored in the GenTax system; thereby, improving its reporting capabilities.
- Staff recommends that DOR and OIT continue to review and improve the policies, procedures, methodologies, and tools with the goal of reducing its technical debt.
- Staff recommends that DOR and OIT, with the assistance of the vendor, assess the current scale of the GenTax technical debt in FY 2019-20, including statutory and non-statutory report requests.
- DOR explains that the items in the GenTax queue may include duplicates and obsolete items. Staff recommends that the queue's items should continue to be evaluated and updated, including work effort estimates.

Prepared by Legislative Council Staff.

Appendix B

Additional FTE Descriptions and Justifications

Functional Area	FY 2019-20 FTE	FY 2020-21 FTE (annualized)	Responsibilities	Justification
System Documentation & Change Requests	6 OIT Development	13 OIT Development	Address current backlog of over 700 system change requests and 30 strategic enhancements.	State is currently unable to support the tax system without contract developer resources. State developer resources bring the ratio of contractor to state developer in-line with other states.
Configuration Documentation & Testing	2 DOR Business Analysts	8 DOR Business Analysts	Testing of developer system changes prior to deployment and documenting software configuration.	Quality Assurance and system testing is currently performed by production line employees. Additional business analysts will free up production line employees for other mission critical activities.
Ongoing Training	2 DOR Training Specialists	2 DOR Training Specialists	Develop and update DOR-wide training to keep users informed of changes and system capabilities.	Currently there is minimal training. Standardized training reduces variability in processing and minimizes workarounds.
Vendor Relations and System Support	1 DOR Systems Operational Lead	1 DOR Systems Operational Lead	To coordinate DOR-wide efforts to manage the support team, prioritize system work, and serve as the point of contact with the vendor.	Broad coordination across all DOR divisions in collaboration with OIT and the vendor does not currently exist and is critical to ensure all stakeholders are included and provide their expertise.
System Reporting and Monitoring	0 DOR Statistical Analysis	1 DOR Statistical Analysis	Testing and optimizing of reports, data capture, and mapping system data.	Management reports are unmaintained or unavailable. Enhanced reporting provides accountability and precision for management and policy decisions.
System Documentation	1 DOR Technical Writer	1 DOR Technical Writer	Create and maintain system documentation written at a business-conversation level.	System architecture documentation is not currently available. Creation and maintenance of this documentation provides accountability and technical expertise and mitigates risks of complete system failure.
Total	12 FTE	26 FTE		All proposed FTE are required to increase accountability and expertise as well as mitigate risk of complete system failure.

Source: Colorado Department of Revenue FY 2019-20 Operating Budget Request, pages 3-4.

Appendix C
DOR GenTax Support Enhancements Itemization

Position/Role	Classification	FY 2019-20		FY 2020-21		FY 2021-22 (No One-Time)	
		FTE	\$ Amount	FTE	\$ Amount	FTE	\$ Amount
Development-OIT	Lead/Program Manager	1.0	\$140,654	1.0	\$140,654	1.0	\$140,654
	Sr. Database Administrator	0.0	\$0	1.0	\$140,654	1.0	\$140,654
	Sr. Application Support	1.0	\$126,535	2.0	\$253,070	2.0	\$253,070
	Application Support II	2.0	\$204,829	4.0	\$409,662	4.0	\$409,662
	Application Support I	1.0	\$92,252	4.0	\$369,008	4.0	\$369,008
	Quality Assurance	1.0	\$83,289	1.0	\$83,289	1.0	\$83,289
OIT Personal Services Subtotal		6.0	\$647,559	13.0	\$1,396,337	13.0	\$1,396,337
Business Analysts (2 Lead, 6 subordinates)-DOR	Analyst V	0.0	\$0	2.0	\$207,058	2.0	\$207,058
	Analyst IV	2.0	\$168,688	6.0	\$506,063	6.0	\$506,063
Trainers (2 Training and Content Delivery)-DOR	Training Specialist IV	2.0	\$168,688	2.0	\$168,688	2.0	\$168,688
Vendor Relations Coordinator/Production Support Coordinator-DOR	Operational Supervisor	1.0	\$111,640	1.0	\$111,640	1.0	\$111,640
System Reporting and Monitoring-DOR	Statistical Analyst III	0.0	\$0	1.0	\$91,578	1.0	\$91,578
Technical Writer for System Documentation-DOR	Analyst IV	1.0	\$84,344	1.0	\$84,344	1.0	\$84,344
DOR Personal Services Subtotal		6.0	\$533,360	13.0	\$1,169,371	13.0	\$1,169,371
Total Personal Services		12.0	\$1,180,919	26.0	\$2,565,708	26.0	\$2,565,708
Regular FTE Operating Expenses-OIT			\$3,000		\$6,500		\$6,500
Telephone Expenses-OIT			\$2,700		\$5,850		\$5,850
PC, One-Time-OIT			\$7,380		\$8,610		
Office Furniture, One-Time-OIT			\$20,838		\$24,311		
OIT Operating Subtotal			\$33,918		\$45,271		\$12,350
Possible Lease (220 sqft/FTE * \$30 sqft)-DOR			\$171,600		\$171,600		\$171,600
Regular FTE Operating Expenses-DOR			\$3,000		\$6,500		\$6,500
Telephone Expenses-DOR			\$2,700		\$5,850		\$5,850
PC, One-Time-DOR			\$7,380		\$8,610		
Office Furniture, One-Time-DOR			\$20,838		\$24,311		
DOR Operating Subtotal			\$205,518		\$216,871		\$183,950
Total Operating			\$239,436		\$262,142		\$196,300
Grand Total		12.0	\$1,420,355	26.0	\$2,827,850	26.0	\$2,762,008

Source: Colorado Department of Revenue FY 2019-20 Operating Budget Request, page 9.



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Memorandum

March 7, 2019

TO: Joint Technology Committee

FROM: Jean Billingsley, Senior Research Analyst, 303-866-2357
Joint Technology Committee (JTC) Staff

SUBJECT: JTC Staff Analysis of JBC-Referred Request for Input
Colorado Department of Revenue (DOR)
GenTax Data Warehouse and External Severance Tax Administration

Reason for Referral

This memorandum responds to the December 11, 2018, letter from the Joint Budget Committee (JBC) requesting that the JTC study the feasibility of:

- an IT capital construction project to purchase or develop a state-owned tax data warehouse; and
- the development of a severance tax administration module, independent of the GenTax system.

The letter suggested that funding for the implementation of a tax data warehouse be considered in conjunction with a Colorado Department of Revenue (DOR) FY 2019-20 operating budget request. The DOR operating request adds GenTax full-time employees to maintain and support the GenTax system and state tax administration. The committee considered the operating request at its March 7, 2019, meeting.

Bill Recommendation

Staff recommends the committee sponsor a bill to:

- provide funding for an independent consulting firm to assess the GenTax system; and
- create a task force to evaluate ways to improve state tax reporting, study the possibility of implementing an external severance tax module, and manage the independent consulting firm.

Independent assessment. Staff recommends that the department retain an independent third-party consulting firm managed by a newly created task force. The consulting firm would provide an assessment of the existing GenTax system and identify areas of improvement, including evaluating options to: (1) provide a robust tax reporting and analytics solution; and (2) develop and maintain an

external severance tax module that interfaces with the GenTax system. This assessment may also include options for managing the recurring changes in tax data, and as a result, generating new tax reports to track those tax changes.

State tax system task force. JTC staff recommends the committee create a task force to conduct a detailed analysis of the existing GenTax system. The task force would assess tax reporting options and ascertain if developing and supporting an external, independent severance tax module is a viable addition to the state's tax system. The task force would evaluate tax reporting options before investing more time and money in correcting the GenTax technical debt.¹

The task force, using existing resources, would be a collaborative effort between the Colorado Department of Personnel and Administration, DOR, the Governor's Office of Information Technology (OIT), and the legislative branch. JTC staff recommends that legislative representatives be involved because tax reports are critical tools used by the General Assembly when forecasting the state's budget, and limitations in timely access to tax data may contribute to uncertainty and estimation errors in fiscal notes and revenue forecasts. Staff recommends that JTC staff provide project management services for the task force. The JTC staff project manager would: (1) ensure that approved goals and objectives are accomplished; (2) work closely with DOR and OIT to ensure compliance with state standards; and (3) provide status updates to JTC members, and DOR's new GenTax governance organization.

GenTax Reporting Improvements

The JBC asked the JTC to review the possibility of creating or purchasing a state-owned tax data warehouse to improve access to state tax reports. Currently, the GenTax system and some state tax forms provide limited tax data. Similarly, the Legislative Council staff economists, fiscal note analysts, and JBC staff have encountered issues when requesting tax data, as described in Appendix A. DOR's FY 2019-20 operating budget request does not address nonstatutory reporting.

Timely, relevant tax data is essential because it supports:

- identifying problematic tax areas and taxpayer errors;
- estimating revenue impacts for fiscal notes and producing revenue forecasts;
- evaluating tax expenditures, including tracking enacted tax expenditures to confirm policy objectives;
- determining credit ratings for municipalities, counties, and special districts; and
- assessing the health of the state and regional economies for economists, bankers, and the business community.

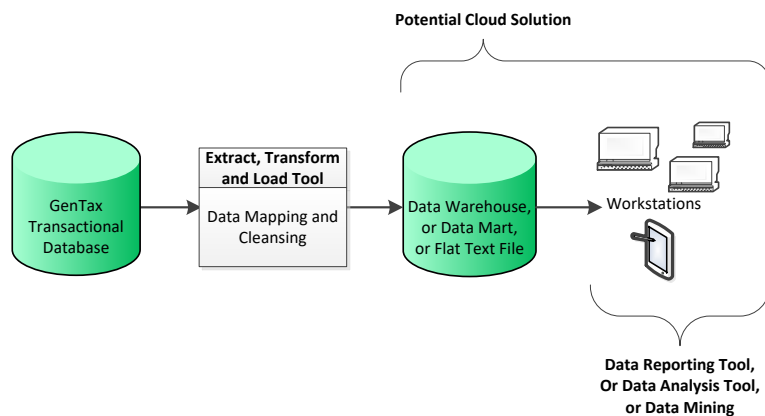
¹ Software system technical debt is defined as any requirement that a system does not provide, and can range from trivial to critical. Any stakeholder dissatisfaction with an application can be considered as part as that system's debt. All software systems carry some technical debt, and the level of technical debt that a system has sometimes gets worse over time as the system and the requirements grow. The challenge is to manage the technical debt so that critical or work stoppage issues are handled and communicated to stakeholders appropriately. Options to reduce technical debt may include a more cost-effective approach that requires replacing the application rather than continuing to invest in the existing system.

Colorado State Tax Expenditure Review. In September 2018, the Colorado Office of the State Auditor (OSA) published its review of the state’s tax expenditures pursuant to Senate Bill 16-203 (review).² In the review, OSA states that even though DOR supported its investigation, some of the tax expenditure information that OSA requested could not be provided. The review lists some of the challenges in obtaining relevant state information from the GenTax system, such as: (1) DOR’s lack of available technical resources to develop new database queries that produce tax reports; (2) some relevant tax data on the tax forms are not collected and stored in the GenTax database; and (3) some relevant tax data are not stored in the GenTax database in a way that makes that data accessible. For example, multiple tax expenditure data are aggregated by taxpayers prior to reporting and then combined on a single line on the tax form. DOR says that the tax form design simplifies the reporting process. Requiring taxpayers to provide more information may increase filing costs and become a burden for taxpayers. The advantages and disadvantages of capturing all the available tax data in a reportable format should be evaluated by the task force (see Appendix B: GenTax Potential Areas of Improvement).

Tax data warehouse technical summary. Moving forward, the state has a few options to improve access to additional tax reports (see Appendix B: Reporting Options). Besides cost and risk, any changes to improve the GenTax system reporting functionality would need to comply with established state technical architecture, data governance, and IT security policies, rules, and standards that govern the data that are collected, and how data are processed, stored, and accessed. Some reporting options offer many features, such as a web portal and tools to analyze the data. Other options with fewer features than a data warehouse solution could be implemented at a lower cost. As shown in Figure 1, a basic reporting architecture design might include a:

- transactional database, such as the existing GenTax database;
- a data mapping/conversion tool or database code (e.g., T-SQL, PL SQL);
- a database used for reporting and data analysis (e.g., data warehouse, data mart); and
- a reporting tool (e.g., statistical analysis system).

Figure 1: Basic Reporting Architecture



Prepared by Legislative Council Staff.

² “Tax Expenditures Compilation Report, September 2018,” September 2018, accessed at: <http://leg.colorado.gov/audits/tax-expenditures-compilation-report-september-2018>, February 25, 2019.

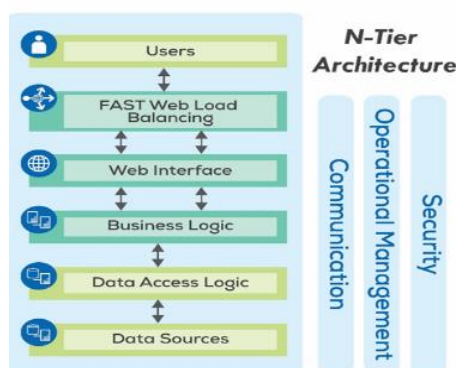
The GenTax system consists of a transactional database for tax administration processing, a data warehouse that is used to generate standard GenTax reports, and reporting tools that provide limited tax reports. GenTax contains many standard database queries for reports; however, nonstandard reports are considered an optional GenTax feature that the vendor can add at a cost. Additionally, it is possible to run adhoc database queries on the production transactional database to produce nonstandard reports, but such queries are challenging due to DOR resource constraint issues and the possibility of performance degradation in the GenTax production system.

External Severance Tax Module Considerations

The JBC asked the JTC to consider the development of a severance tax administration module, independent of the GenTax system. The state could seek a commercial off-the-shelf (COTS), vendor-provided solution or develop and maintain custom software. With COTS software, the advantages may outweigh a custom solution, including possibly benefiting from: (1) routine upgrades and industry best practices; (2) less risk than developing a new system; and (3) reduced technology obsolescence since the vendor is motivated to keep its technology up-to-date. On the other hand, if the functional requirements of the severance tax administration module are unique, then custom software may be the state's only option because available vendor software products may not meet mandatory requirements.³ Additionally, providing alternatives to support the state's tax requirements may reduce some of the disadvantages DOR is now experiencing with maintaining COTS software, such as vendor dependency.

The GenTax system's design follows an n-tier, or multi-tier, architecture in which the presentation, processing, and data are separated. This design typically provides developers more flexibility when modifying existing code.

Figure 2: GenTax Architecture



Source: Colorado Department of Revenue, response to JTC staff question, February 2019.

³ "Build vs buy" is the decision to either develop an in-house, custom solution or purchase a solution from a vendor. The decision should include not only a cost-benefit analysis but also the total cost of ownership in order to account for all expenses required to support any new solution. Typically, organizations choose to "build" a custom technical solution when the business needs are too unique, and they pursue the "buy" solution when COTS software can satisfy most or all of the functional requirements.

The GenTax system is based on a core architecture that can be configured to provide various options, settings, and functions. Even though GenTax is COTS software, approximately 92 percent is proprietary vendor code. The remaining 8 percent is custom code. The custom code is a result of functions being added before those functions were in the GenTax proprietary code. Therefore, if Colorado needs severance tax functionality added to the existing tax system, and GenTax does not offer the functionality in its proprietary code, then custom code would need to be added to the existing GenTax system. As a result, the option to develop an external, custom-coded severance tax module may be a viable alternative.

Technically, creating an external severance tax module is possible because GenTax has the capability to interface with an independent, external severance tax module, and it currently interfaces with other systems. GenTax also offers a suite of tools to implement and manage web services, which are used to transfer data or transactions between databases using a web-based interface. This GenTax tool can be used to develop inbound and outbound data streams that move data between GenTax and another authorized system.

GenTax uses object-oriented programming, meaning the code modules do not have “tight” dependencies. Even so, DOR says it has concerns about creating an external, independent severance module that would not have its parent customer record, or any other related records. Nevertheless, an external severance module could link its severance tax records back to master records in the GenTax system. The task force would need to evaluate if the severance tax functional requirements can be met with the GenTax proprietary code; if not, GenTax custom code may be needed.

Developing and maintaining custom software, such as an external severance tax module, does add risk; however, if the functional requirements are unique, then custom software may be the only option because vendor software products that effectively meet mandatory requirements do not exist. Additionally, providing more technical options to support the state’s tax requirements may reduce some of the disadvantages DOR is now experiencing with maintaining COTS software. These disadvantages include a vendor dependency. Even so, with COTS software, the advantages may outweigh a custom solution, including possibly benefiting from: (1) routine upgrades and industry best practices provided by the vendor; (2) reduced risk of developing a new system; and (3) reduced technology obsolescence since the vendor is motivated to keep its technology up-to-date.

GenTax System Summary

GenTax processes hundreds of tax types and programs, including:

- individual income tax in 26 jurisdictions;
- withholding tax in 28 jurisdictions;
- business taxes in 34 jurisdictions;
- estate/inheritance taxes in 14 jurisdictions;
- tobacco taxes in 28 jurisdictions; and
- alcohol taxes in 20 jurisdictions.

In 2018, 83 percent of the tax returns were electronic. The other 17 percent were paper. The GenTax core functionality focuses on processing tax returns and payments and issuing refunds and bills. The system also includes support functions, such as a web-enabled functionality for taxpayers, refund approvals, collections, and fraud.

The state has a maintenance agreement with the GenTax vendor, Fast Enterprises (FAST). FAST currently provides technical support under the maintenance agreement at an hourly rate. The FAST Colorado support team consists of the 17 FAST employees: 1 project manager, 1 database administrator, 3 lead developers, 11 developers, and 1 system architect.

Approximately 25 states, including Colorado, currently use GenTax. According to the Federation of Tax Administrators, the market may have about two other vendors that provide tax software. Florida and New York, states that are comparable to Colorado's tax complexity, have custom systems. California's four tax agencies use a combination of custom and COTS systems.

Appendix A

GenTax Potential Areas of Improvement

- Lines from supplemental tax forms, such as those used to calculate and claim tax credits, are generally not mapped in GenTax unless directly related to a taxpayer's income tax liability.
- Many tax expenditures and tax modifications (such as income tax additions and subtractions/deductions) are grouped on a single line of the tax form.
- Tax credit carry-forwards are grouped on a single line of the tax form, which limits the ability to determine how much of a given credit is being carried forward by a taxpayer.
- Data available at the federal level are not available for some significant drivers of Colorado revenue (e.g., income from capital gains).
- Due to a lack of comprehensive data, Colorado has a limited ability to model the impact of federal tax law changes on the state (e.g., modeling the impacts of the federal Tax Cuts and Jobs Act).
- Due to a lack of documentation and the proprietary nature of GenTax core code, DOR staff were not able to verify the validity or reliability of data in some instances.
- To meet statutory reporting requirements, DOR has relied on third-party data (e.g., from federal government data reporting sources) instead of actual taxpayer data when estimating the revenue impact of many tax expenditures.
- Due to issues in the custom code after the GenTax proprietary code was updated, data became unreliable, or it could not be compared across years for many tax expenditures. DOR staff have instructed Legislative Council Staff not to treat values from the same data series in 2013 and prior years as equivalent to those in 2015 and later years due to inconsistencies in the way that the data are extracted in GenTax.
- For more than a decade, DOR produced monthly retail sales reports. After the GenTax system was updated, these reports were no longer available, and have been postponed until further notice. These reports are a key resource of information for analyzing sub-state regional economies for local governments and the business community.
- 2014 Statistics of Income data were lost and cannot be recovered due to a break between the custom code and proprietary code.

Source: Joint Technology Staff interviews with legislative staff.

Appendix B

Reporting Options

1. *Contract with FAST to expand its existing reporting capabilities.* GenTax currently has a data warehouse that is used for its standard reporting. FAST also offers three reporting options:
 - a. The *reporting subsystem* is used for external, formal tax reports. DOR says that tax laws change so frequently that DOR and FAST do not have the resources to make this a viable option.
 - b. The *data mart subsystem* provides a view of the tax data using a pivot table that gives authorized users the ability to group, filter, sort, and summarize the data. DOR explains that this solution requires more technical resources to utilize.
 - c. The *query subsystem* gives authorized users the ability to execute adhoc queries. The DOR Office of Research and Analysis already uses the *query subsystem* for all legislative, internal, and external report requests.
2. *Export a batch text file after hours that is used with a data analytics tool.* GenTax interfaces with approximately six systems using a secured file transfer protocol (FTP). If OIT approves (e.g., IT security), authorized users could access the data in text files located in an FTP folder using a data analytics tool, such as Statistical Analysis System (SAS).
3. *Implement a cloud solution, either as a native cloud option or a cloud deployment option.* Cloud solutions are appealing because of the potential benefits in cost, scalability and agility. Even though SAS is one of the leaders in providing data science products, other tools and cloud solutions are also options. Additionally, similar to COTS software, cloud solutions might appear to be the best option, but only if the functional requirements are not too unique.
4. *Develop and maintain an external state tax data warehouse or data mart.* This option will require software and hardware costs, along with technical resources to develop and maintain.
5. *Create a replication or mirror copy of the production transaction database.* A replication database would provide more options for technical resources to develop database queries. Any complex, processing database query could then be executed in the replication database instead of the production database.⁴

Source: Joint Technology Staff interviews with legislative staff.

⁴ Even though the replication database does not correct DOR's technical resource constraint issue, it does improve GenTax disaster recovery since a database replication may serve as fail-over during server failure. DOR explains that in January 2018, OIT turned off an existing GenTax database replication process due to insufficient bandwidth on the state network. Using a replication database for reporting purposes may require the purchase of another database license.